

# AGRICULTURAL RELIEF

## HEARING

BEFORE

*U. S. Congress. House.*  
**THE COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES**

**SEVENTY-FIRST CONGRESS**

**FIRST SESSION**

**APRIL 1, 1929**

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COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

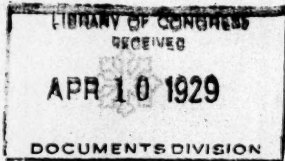
SEVENTY-FIRST CONGRESS, FIRST SESSION

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## AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,

*Monday, April 1, 1929.*

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will come to order. The first witness is Mr. Brinkley. Mr. Brinkley, will you state your full name and who you represent?

**STATEMENT OF HOMER L. BRINKLEY, LAKE CHARLES, LA., REPRESENTING THE RICE GROWERS AND OTHER INTERESTS OF TEXAS AND THE AMERICAN RICE GROWERS' COOPERATIVE ASSOCIATIONS OF TEXAS AND LOUISIANA**

Mr. BRINKLEY. Mr. Chairman, my name is Homer L. Brinkley; my residence is Lake Charles, La. I am representing the rice growers and other interests of Texas and the American Rice Growers' Cooperative Associations of Texas and Louisiana.

I have attended these hearings for several days, and I have heard nothing yet about rice, and I just want to inform the committee that rice is a very important crop down in our part of the country, even though it may not be generally known, and it is probably in just as critical a condition as wheat, corn, and a lot of the other crops.

Statistics show that rice is the lowest of 22 food commodities listed by the Bureau of Labor Statistics.

Mr. CLARKE. You mean according to the price index?

Mr. BRINKLEY. According to the price index, yes; and it is facing a very acute situation, especially during periods of great surplus. We feel that rice should be on a par with other grains, and we would ask to have rice included in any measures affecting other grains such as corn and wheat. We want to indorse, in part at least, the brief submitted by the large group of cooperative organizations that was submitted to the committee during the past week. We feel that the farm board, as has been brought out in other testimony, would be an excellent thing, the work of this farm board to be, perhaps, educational and of a research character as much as anything else, so that they can keep constantly in touch with any matters in regard to agriculture that may redound to the harm of the farmers of the country, and that the board should have a large fund to enable them to take steps that might be necessary at any time to correct any such conditions.

The stabilization corporations, we believe, should act in accord with the cooperatives and with the leaders in the industry, not being necessarily entirely subsidiary to the cooperatives, but to act as they

might deem best at any particular time for the good of the industry as a whole, although not having necessarily one stabilization corporation for each commodity. For instance, in connection with rice production we have rice produced in California as well as in Louisiana, Arkansas, and Texas. Conditions affecting the rice growers in California are entirely different from those affecting the rice growers in our section of the country. We do not believe a stabilization corporation could work out any system or any plan that would fit each case equally as well as some other case. We do not believe that this stabilization corporation should set a premium on surpluses. By that I mean that in the event that they were called upon to act, that should be left to their own judgment, as well as that of the leaders or the cooperatives; they should try as far as possible to set a price or maintain a price level at cost of production which may be determined by research and a study of the situation, rather than cost of production plus a profit.

We feel that by maintaining such a level it would place a premium on surpluses, and the next year there would be a larger surplus, and the thing would go on indefinitely without any relief, or the effect would be just the opposite of relief. So we believe that a cost of production could be worked out for these commodities, and I think that can be arrived at, not perhaps an average cost of production, but the average cost of production of the more efficient producers, thereby forcing to the wall the inefficient producers and putting them out of business. We do not need them, and they would be far better off working for somebody else rather than tending to increase the surplus.

We believe that more information should be placed in the hands of the people, or at their disposal in reference to tariffs. We are asking for an increase in tariffs before the committee that is handling that subject, and that is a very important consideration with us.

For instance, we have one variety of rice, patna rice, coming in from India, coming from one of our chief competitive areas in India and other parts of southern Asia, including Indo-China, and a few other places in that general locality, coming in without paying any duty whatever. Certain interests have maintained that in view of the use to which the patna rice is put, our rice should not compete with this variety at all. But I am informed that according to information in the hands of the Bureau of Home Economics in the Department of Agriculture that has been disproved, and that one of our varieties of rice, namely, the Fort Bonny variety, which has been developed at the experiment station at Gormley, La., is equally as good as the patna rice.

A higher level of tariff rates would make the tariff more effective than it is now, because we are competing with foreign labor, which is paid probably from 16 to 18 cents a day, and their products come in direct competition with those of the labor of rice farmers of the United States of America, with a much higher standard of living.

I just want to go back to the stabilization corporation proposition for a moment. There seems to be some difference of opinion as to the method in which this corporation should act. My opinion is that if we keep the right sort of men on these boards they will have independence enough to act in the right way when the time comes.

and they should not be governed by a predetermined set of rules and regulations that might prevent them from giving the best possible service.

Mr. ASWELL. You would have the stabilization board depend entirely upon the cooperatives?

Mr. BRINKLEY. Not entirely; I believe the stabilization board should act in conjunction with the cooperatives, and the leaders of the industry, that is, those who are best informed.

Mr. ASWELL. What do you mean by the leaders of the industry?

Mr. BRINKLEY. I mean the people whose interests are at stake.

Mr. ASWELL. Everybody in the business has an interest at stake. How would you single out the leaders?

Mr. BRINKLEY. They would be representatives of the industry at large.

Mr. ASWELL. You have reference to men employed to represent the industry, or the active leaders?

Mr. BRINKLEY. The active leaders; that is, the men in the industry, the farmers, not necessarily the financial interests or the milling interests.

Mr. ASWELL. I do not see how you would single out the leaders. You seem to stress that all the way through.

Mr. BRINKLEY. We have men in the rice belt who are looked up to as leaders, and their opinions are taken on most subjects pertaining to the industry.

Mr. ASWELL. You mean men who are generally looked upon as leaders?

Mr. BRINKLEY. Yes. I think that would be the case in connection with most commodities. I mean leaders among the farmers, not to get the financial interests mixed up in it in any way.

Mr. ASWELL. I do not refer to the financial interests. I refer to the men employed to come here and go elsewhere to represent the industry. Is that what you mean?

Mr. BRINKLEY. Not necessarily; no, sir. I mean leaders in production.

Mr. ASWELL. How many members do you think should be named on the farm board, or had you thought about that?

Mr. BRINKLEY. I had not thought of that especially; I have not given that much thought.

Mr. LARSEN. What is the production of rice in America at this time?

Mr. BRINKLEY. The production of rice in the Southern States, or altogether, is about 41,000,000 bushels. That is what it was last year.

Mr. LARSEN. What is the amount necessary for consumption?

Mr. BRINKLEY. We export—that is hard to get at.

Mr. LARSEN. The point I really wanted to ascertain was whether the production was sufficient to meet the demands of this Nation.

Mr. BRINKLEY. Entirely so; yes, sir.

Mr. LARSEN. And there is a considerable amount also for export?

Mr. BRINKLEY. Yes; there is.

Mr. LARSEN. To what countries is it exported?

Mr. BRINKLEY. A large part of our exports go to Porto Rico.

Mr. LARSEN. What is the prevailing price obtained for rice now?



Mr. BRINKLEY. The price this year has been on an average of about \$3.50 to \$3.55 a barrel; that is, 162 pounds of rough rice. That is around 88½ cents a bushel.

Mr. LARSEN. Eighty-eight and one-half cents a bushel for rough rice?

Mr. BRINKLEY. Yes, sir.

Mr. LARSEN. Do you know what the production of rice was and the cost before it was put on the free list away back in 1882 or 1883?

Mr. BRINKLEY. No, sir; I do not know that.

Mr. LARSEN. You do not know how the prices compare?

Mr. BRINKLEY. No, sir.

Mr. LARSEN. Where is the most of the rice now grown, on uplands?

Mr. BRINKLEY. It is grown rather largely on the prairies of south-west Louisiana and Texas.

Mr. LARSEN. And not under the water like it used to be?

Mr. BRINKLEY. It is entirely under water.

Mr. LARSEN. Water supplied from reservoirs?

Mr. BRINKLEY. Yes, and by canals.

Mr. LARSEN. By irrigation systems?

Mr. BRINKLEY. Yes, sir; by irrigation systems.

Mr. LARSEN. What is the production per acre?

Mr. BRINKLEY. The production per acre runs probably about nine barrels per acre; that is, nine barrels of 162 pounds of rough rice per barrel, which is around 35 bushels.

Mr. LARSEN. Around 35 bushels per acre?

Mr. BRINKLEY. Yes, sir.

Mr. LARSEN. Then the growing of rice is not very profitable at 85 or 90 cents a bushel, is it?

Mr. BRINKLEY. Not at all. We have the figures covering 267 farms last year showing that the cost of production was \$38.59 per acre, and the grower actually received \$34 per acre.

Mr. LARSEN. So it really was not self-sustaining then?

Mr. BRINKLEY. Not at all.

Mr. LARSEN. Are the lands upon which it is grown rather expensive lands, as a rule, that is, expensive to put into operation?

Mr. BRINKLEY. Rice is one of the most expensive grain crops that is raised. It is necessary to have very heavy and expensive machinery. The lands are stiff and hard to care for. The water costs run rather high, and the cost for irrigation alone is in the neighborhood of one-fifth of the total cost.

Mr. LARSEN. Is the tariff sufficient at this time to meet the requirements?

Mr. BRINKLEY. We do not feel that it is. There is one clause in the present tariff act which has reacted very unfavorably. When it was written broken rice was not properly defined. In other words, it was simply stated that broken rice would carry such and such an amount of rough rice, which was only slightly broken, which would compete with our second heads, which is one of the best grades of milled rice coming in. We have now, in a brief submitted from the people in that territory, asked for a proper definition of broken rice, with a sieve requirement.

Mr. LARSEN. When you say "coming in" you mean imported?

Mr. BRINKLEY. Yes.

Mr. LARSEN. From where—China?

Mr. BRINKLEY. From Southern Asia.

Mr. LARSEN. That comes in competition with the rice produced here?

Mr. BRINKLEY. In direct competition; yes, sir.

Mr. LARSEN. Is it imported in any considerable amount?

Mr. BRINKLEY. Around 67,000,000 pounds a year.

Mr. LARSEN. That is all clean rice?

Mr. BRINKLEY. Clean rice, broken rice, and rice flour, and so forth.

Mr. LARSEN. Is the element of red rice a contributing factor in connection with your distress, or to what extent does it enter into the rice question at all?

Mr. BRINKLEY. That is simply a matter of production. The red rice is a distinct drawback, when the fields become infested with red rice.

Mr. LARSEN. How is that produced? Is that water sopped?

Mr. BRINKLEY. No, sir. The red rice is a distinct variety of rice, and the seed of red rice has very remarkable germinating powers. Instances have been known where it is believed that the seed of red rice from one planting has germinated over a period from 10 to 15 years.

Mr. LARSEN. In other words, the inferior grade of rice is more prolific than the better grade?

Mr. BRINKLEY. Not more prolific; it is simply a nuisance in our white rice.

Mr. LARSEN. Where do you get that red rice? Is that grown on the same character of lands as the other rice, or do you have to rely on the other lands?

Mr. BRINKLEY. No, sir; it is grown on the same character of land, and the farmers usually set aside a part of their farming area and keep that as free of red rice as possible, and they will take particular care of that seed plot.

Mr. LARSEN. Does the seed rice cost more than the rice you sell on the market?

Mr. BRINKLEY. Slightly more.

Mr. LARSEN. I used to live in a rice-producing section myself, until they put rice on the free list, and then they put us out of business, in the eighties. The seed rice was grown on the uplands and supplied to the men on the coast, as a rule, who were producing rice under conditions of irrigation.

You are forced then, of necessity, buying your seed rice at a high price, to grow this rice under these unfavorable conditions, and that creates an additional burden on the producer.

Mr. BRINKLEY. Yes, sir.

Mr. LARSEN. He pays considerably more for his seed than the price he gets for the product he sells?

Mr. BRINKLEY. Of course, we have some growers raising their own seed; but the other costs of production are large and they are getting larger. The machinery costs are higher, living costs are much higher, and everything that goes into the production of the rice crop is far higher than it was formerly.

Mr. LARSEN. Why do not you people get rid of the red rice element altogether?

Mr. BRINKLEY. That is a constant fight. It is like some other weeds that come in connection with other crops.

Mr. LARSEN. What produces red rice if you do not plant it? Why do you not get rid of that seed altogether?

Mr. BRINKLEY. The seed has very remarkable germinating powers. If it gets in a field one year it may be there for 10 years after.

Mr. LARSEN. I am not familiar with the scientific phase of this matter, but when I was a boy I was led to believe that rice grown under improper conditions would naturally become red; that if it had been water-sopped from year to year it would have a tendency to redden, and therefore they could not produce it in the same land.

Mr. BRINKLEY. No, sir; it is a distinct variety of rice.

Mr. LARSEN. It is a distinct variety of rice, and you can not get pure seed.

Mr. MENGES. If I understood you correctly, you do not produce a surplus of rice?

Mr. BRINKLEY. Yes; we produce a surplus.

Mr. MENGES. More than you can sell in this country?

Mr. BRINKLEY. Yes, sir.

Mr. MENGES. You raise the upland rice?

Mr. BRINKLEY. We raise the lowland rice; we do not raise the upland rice at all.

Mr. MENGES. I thought you conveyed the idea that if you had an increase in the tariff on rice you would in all probability be able to handle the proposition; is that right?

Mr. BRINKLEY. To a much better extent than we are doing now; yes, sir.

Mr. MENGES. If you raise a surplus you are virtually in the same position that the wheat farmers are, are you not?

Mr. BRINKLEY. Yes, sir.

Mr. MENGES. You do not think a stabilization corporation would do you any good?

Mr. BRINKLEY. Yes, sir; I do. I did not say that. I said we thought it could do us some good.

Mr. MENGES. Will you explain how? I do not understand you.

Mr. BRINKLEY. I said that I believed a stabilization corporation could do us a great deal of good, but that I did not believe it should attempt to set prices or maintain a price level above the cost of production, thereby not setting a premium on surplus production; that that would tend to prevent a surplus in the following year; whereas, if they maintained a price over the cost of production, therefore there would be an incentive to produce still more the next year; and that the powers of this stabilization corporation should not be determined in advance, that they work out their own salvation, as the problems arose, for the good of the industry.

Mr. MENGES. They must work out their own salvation?

Mr. BRINKLEY. The stabilization corporation—not their own salvation, but that they would take such steps as would seem best, under a given set of circumstances, as they arose, and not to have any set rules by which they would be governed.

Mr. MENGES. Do you think we could create an organization that could do such a thing?

Mr. BRINKLEY. I think so; yes, sir.

Mr. ANDRESEN. You said something about certain farmers now engaged in producing rice who should not be in the business, I believe.

Mr. BRINKLEY. Yes, sir.

Mr. ANDRESEN. And that they should be driven out of the business?

Mr. BRINKLEY. Well, we feel that the efficient producer should be placed at a better advantage than he is now, and that the inefficient producer is making it harder for the efficient producer to produce a living crop.

Mr. ANDRESEN. How are you going to bring about that change?

Mr. BRINKLEY. I do not know; I wish I did.

Mr. ANDRESEN. That is true of all crops?

Mr. BRINKLEY. Yes, sir; that is true of all crops.

Mr. ANDRESEN. You believe in the rule of the survival of the fittest?

Mr. BRINKLEY. I do.

Mr. ANDRESEN. Probably it will work out in the long run.

Mr. BRINKLEY. I hope so.

Mr. CLARKE. What is the percentage of the rice growers whom you represent?

Mr. BRINKLEY. Probably there are 2,000 or 3,000 of them altogether.

Mr. CLARKE. I mean in volume, compared with the total production of the country.

Mr. BRINKLEY. I could not say as to that, sir.

Mr. CLARKE. You have some idea, surely.

Mr. BRINKLEY. Probably 10 per cent; 10 or 15 per cent.

Mr. HOUSTON. You say you produce an exportable surplus all over the country now?

Mr. BRINKLEY. Yes, sir.

Mr. HOUSTON. How much in percentage, or in other figures?

Mr. BRINKLEY. I could not give you that in percentage. I believe I have the figures showing what we exported this past year.

Mr. HOUSTON. What do you call an exportable surplus? The amount you actually export?

Mr. BRINKLEY. The amount we have to send out of the country.

Mr. HOUSTON. But there is an amount being imported, is there not?

Mr. BRINKLEY. Yes, sir.

Mr. HOUSTON. Do you balance the imports against the exports?

Mr. BRINKLEY. In 1928 we had imports of 42,801,000 pounds, and we had exports of 570,000,000 pounds.

Mr. HOUSTON. To what foreign countries do you export the surplus?

Mr. BRINKLEY. We export to England, Belgium, France—all the European countries.

Mr. KINCHELOE. Does the rice in this country mature about the same time in different parts of the country, or do you harvest your rice crop at different times, like the wheat farmers?

Mr. BRINKLEY. In Louisiana and Texas the rice matures at about the same time. In Arkansas it matures a little bit later, and I think in California it probably matures a little bit later, too.

Mr. KINCHELOE. Then you do not have as much seasonal surplus as the wheat farmers because the wheat is maturing at different times?

Mr. BRINKLEY. It all matures at about the same time of the year.

Mr. KINCHELOE. Then you only have one season of surplus?



Mr. BRINKLEY. Only one season of surplus.

Mr. KINCHELOE. Because all your crop matures practically at the same time?

Mr. BRINKLEY. Yes, sir.

Mr. KINCHELOE. Is it your idea that if a stabilization corporation was formed to take care of rice that you would need an advisory council?

Mr. BRINKLEY. Yes, sir.

Mr. KINCHELOE. Do you think those advisory councils ought to be created, too?

Mr. BRINKLEY. Yes, sir; I do.

Mr. KINCHELOE. An advisory council with every stabilization corporation?

Mr. BRINKLEY. Yes, sir.

Mr. KINCHELOE. You mean for the purpose of becoming an intermediary between the grower and the people who manage the business?

Mr. BRINKLEY. Yes, sir.

Mr. JONES. Mr. Chairman, I have here a one-page statement containing suggestions for the solution of the farm problem that may be helpful, which was prepared by Mr. F. E. Gilmore, of Dallas, Tex., which I would like to offer for insertion in the record.

Mr. Gilmore is engaged in farming in Texas and has been engaged in farming and in banking for a number of years. I offer this statement for insertion in the record.

Mr. PURNELL. Without objection, it will be inserted in the record.

(The statement referred to is here printed in full, as follows:)

STATEMENT OF F. E. GILMORE, DALLAS, TEX.

Mr. Chairman and gentlemen, the Government already has the machinery in operation to carry out this plan at a minimum of expense. The Government has already provided ample means for financing and can prevent excessive surplus of production without investing millions, which has been proposed heretofore, but has now been eliminated. Every county agent, in every State, is supposed to be in close touch with every farmer in his county or territory.

John Jones has a horse, cow, hog, or some product of his farm that he wishes to sell. A few miles away John Smith wants to buy the very thing that Jones has for sale, but they live just far enough apart not to be in touch with each other. If Jones and Smith would notify their county agent what they have to sell and want to buy, the county agent can get the two men together for 2 cents, the price of two postal cards. This, of course, is local and refers only to small quantities. But let the farmers report to their respective county agents what they have to sell and what they wish to purchase in large quantities, a record of which can be kept in his office with a simplified card system, which should be tabulated and totaled and reported to a director of markets for each State, and he in turn should report the totals in his State to a director of markets at Washington, D. C.

Often the people in one section of a State would like to sell or buy the very products the other section has for sale, and like Jones and Smith on the farm, they are not quite close enough together to know about it. The director of markets of each State can get the county agents together for 2 cents, two postal cards. The State



directors of markets can be brought together in the same way by the director of markets at Washington.

Let the director of markets at Washington handle all export business. He has only to deal with and through 48 men, who are the directors of markets of the 48 States. Let the farm board, to be appointed by the President, make all prices on all products for the export trade. The Government buys no products, makes no price. Let the Government and the different States build warehouses in which to store surplus crops, on some such plan as they now build public highways. If the Government can build post offices and public highways, they can build warehouses in trade centers.

Let the farmer take his surplus to the warehouse, where he is given a bonded warehouse receipt under the warehouse act now in force, and any banker will be glad to cash his warehouse receipt for him at a reasonable discount, say 6 per cent. This plan eliminates all necessity for the Government investing millions to carry the surplus. Each State should have a warehouse and marketing law under the supervision of the Agricultural Department with a director of markets in charge. All export business should be handled through the Agricultural Department at Washington, with an assistant secretary in charge. The different States should have control of their own warehouses and maintain them.

The Federal banking board at Washington, through the Federal district banks, and they in turn through the banks of the country, can control the growing of large surplus crops. Then let the Agricultural Department at Washington and the agricultural departments of the different States preach diversification, then the farm problem will be solved.

Mr. PURNELL. Mr. Brinton, of Lincoln, Nebr., is the next witness. Mr. Brinton has handed me copies of a brief, which I will distribute among the members of the committee.

Mr. Brinton, will you give to the reporter your full name, and also state whom you represent?

**STATEMENT OF J. W. BRINTON, OF LINCOLN, NEBR., REPRESENTING THE NEBRASKA WHEAT GROWERS' ASSOCIATION, ITS MEMBERS, AND OTHER CITIZENS OF NEBRASKA**

Mr. BRINTON. Mr. Chairman, my name is J. W. Brinton, of Lincoln, Nebr. I represent directly the Nebraska Wheat Growers' Association, and indirectly a group of Nebraska people, business men and farmers.

To shorten my statement before the committee, I would like permission to include in the record, preceding my formal statement, some telegrams I have here, which will explain more fully my appearance before the committee. I have telegrams here from Arthur J. Weaver, Governor of Nebraska; George A. Williams, lieutenant governor; former governor Sam R. McKelvie; Arthur F. Mullin, Nebraska Democratic National Committeeman; Charles A. McCloud, Republican National Committeeman; Congressman Charles A. Sloan; Congressman W. G. Sears; H. J. McLaughlin, secretary of the State department of agriculture; and others.

I also have here a statement which I would like to file with the committee, which I filed with the chairman of the committee some-

time ago, not expecting I was coming down here. My associates have requested me, however, to appear personally.

Mr. KINCHELOE. What is the purport of those telegrams? Are they not practically all the same, recommending you and your work? Some of them contain just a request that you be heard, do they not?

Mr. BRINTON. They request my appearance to present this proposition to the committee.

Mr. KINCHELOE. I do not believe the record ought to be encumbered with a lot of telegrams, practically all of the same purport.

Mr. FORT. Is it not a rule of the committee that anything that anyone wishes to add to his testimony, if it is pertinent, can be inserted?

Mr. WILLIAMS. The purport of these telegrams is simply asking that you be given permission to appear before the committee; that is true, is it not?

Mr. BRINTON. Here is one telegram I will read to you, which will give you an idea of what these telegrams contain. It says:

MARCH 25, 1929.

HON. G. N. HAUGEN,

*Chairman House Agricultural Committee, Washington, D. C.:*

This corporation was organized by outstanding bankers and business people in Nebraska and is financing the organization of what will be the largest grain cooperative in the country. The plan is based upon sound financial practice and we ask that you give to J. W. Brinton, of Lincoln, the opportunity to present this plan to you with the idea that it may be incorporated in the farm legislation so that farmers will not be handicapped by lack of finances in developing large scale cooperative organizations to handle their respective crops under proposed farm board bill legislation.

WHEAT GROWERS FINANCE Co.,

By C. E. REYNOLDS, *Treasurer.*

Mr. PURNELL. Under a rule previously adopted by the committee, such matters as you desire to incorporate are referred to the program committee, which has the power to act. You may proceed with your statement.

#### COMMODITY COOPERATIVE MARKETING ASSOCIATIONS

##### DECLARATION OF POLICY

To stabilize interstate and foreign commerce in agricultural products; to bring about a substantial and permanent improvement in agriculture; to adjust production and sale of agricultural products to market demand; to minimize price fluctuations caused by seasonal gluts and periodical surpluses; to reduce speculation and waste, to promote the orderly marketing of agricultural products and to provide for controlling and handling surplus production; to encourage producers to organize effective commodity cooperative marketing associations under the control of the producer and for greater unity of effort in such marketing.

##### FEDERAL FARM BOARD

A Federal farm board to be appointed by the President, with the advice and consent of the Senate. This board to assist in the establishment of a uniform cooperative marketing system, under its rules and regulations, with a revolving fund and loans to be extended as hereinafter outlined.

##### ADVISORY COUNCIL

This feature of legislation, heretofore proposed, to be eliminated. This body might create friction between the cooperatives and the farm board if selected by the farm board. On the other hand, if it were selected by the cooperatives,

It would be an unnecessary group, as the board of directors and officers of each commodity stabilization corporation could act as an advisory council, would be automatically chosen, would speak authoritatively for the producers that they represent, and could deal directly with the farm board on all questions affecting the commodity handled by their respective cooperatives. If, however, an advisory council for each commodity seems necessary, it should be chosen wholly by the cooperative groups representing each commodity so that the farm board, in discussing any problem affecting a given commodity, could call into conference the direct representatives of the organized producers of that commodity.

#### STABILIZATION CORPORATIONS

The Federal farm board to authorize the organization of a stabilization corporation, one for each commodity, and to furnish such stabilization corporation with a sufficient revolving fund to enable it, if necessary, to enter the markets and buy sufficient of the commodity to stabilize the price, when the law of supply and demand and the domestic market has been destroyed by the dumping of the product on the market too rapidly. This revolving fund from the Federal farm board to be at least \$300,000,000, to be used for operating overhead and to furnish the additional funds needed to pay the difference between the percentage or amount now furnished by the intermediate credit banks and the purchase price. The stabilization corporation to be given full authority to buy and sell as a commercial concern upon present commercial margins, tariffs and profits, under rules and regulations to be laid down by the farm board, and in such activity to carry on its business on its own account or through the district, State, and local cooperatives when necessary, so that surplus production, beyond the control of the cooperatives, may be purchased in the district or locality where a surplus occurs and thus direct the shipment from the local shipping point so as to prevent a glut in any one market. The stabilization corporation to be a federalized institution with broad powers to do all things that any commercial concern may do, with power to purchase unlimited amounts of the commodity and to acquire and operate on its own account facilities for storing or warehousing products, to sell in the domestic and foreign markets, or to carry a surplus over from one year to another, so that the cooperatives may obtain control of the domestic market without interference from the exportable surplus. The stabilization corporations to be controlled through stock certificates issued to district or State cooperatives that have qualified, under the rules and regulations laid down by the board. The farm board bill to provide that the basic qualification of such cooperatives participating in the stabilization corporations shall be compliance with the Capper-Volstead Act.<sup>1</sup> The cooperatives holding the stock to select directors to operate the stabilization corporations upon a basis of fair representation for each State or district, according to the volume of the commodity handled.

After deducting such reserves as may be determined by the farm board to take care of possible losses, to develop a fund to pay off the Government and make the stabilization corporations stand upon their own feet, profits shall be distributed to the district or State marketing association and by the State organizations to the members of the local associations on a patronage dividend basis, according to the bushels delivered by each member, as authorized in the Capper-Volstead Act.

#### APPROPRIATIONS

Congress to make an appropriation of at least \$400,000,000 for the following purposes: \$300,000,000 as a revolving fund to be advanced to the stabilization corporations as needed; \$40,000,000 to be loaned to the State or district cooperatives to increase the first payment to 85 per cent (60 per cent to 75 per cent now being advanced by the intermediate credit banks) to be paid back when the

<sup>1</sup> The Capper-Volstead Act (H. R. 2373, 67th Cong.) provides that cooperative marketing associations organized with or without capital stock for the mutual benefit of its members shall not be a monopoly in restraint of trade, provided, first, that no member shall be allowed more than one vote, regardless of the amount of stock he may own; second, that the association shall not pay dividends on stock or membership in excess of 8 per cent per annum; and, third, that the association shall not deal in the products of nonmembers to an amount greater in value than it handles for its members.

product is sold by the cooperative; \$50,000,000 to be loaned to the State or district cooperative organizations for physical facilities, local and terminal, to be paid back on the amortization plan of not to exceed 20 years; \$10,000,000 to be loaned for federating, coordinating, and extending membership of cooperative marketing organizations, to be paid back in a period of not to exceed 5 years; total \$400,000,000. Rules and regulations to be made by the farm board governing all loans and all loans to be extended only to the district or State organizations which can qualify under the Federal farm board rules and Capper-Volstead Act.

#### GENERAL OBJECTS AND BENEFITS OF FARM BOARD BILL

The Federal farm board to assist cooperative associations in creating three distinct organizations in the marketing of each commodity; wheat for instance: First—stabilization corporation to stabilize the price, to remove the surplus and to assist the cooperatives so that the surplus will not interfere with control of the domestic markets. Second—to assist in creating large State or regional cooperatives to handle and market the wheat in their respective territories for domestic use, or otherwise, and to establish terminal and local facilities as needed in the terminal markets and at local shipping points. Third—to assist in building up strong local elevator units to handle the farmers' grain at the local shipping point, the local elevator unit being the seat of control, and the local units, collectively, through a delegate system, to own, control and operate the State or district units, which, in turn, will hold the stock in the stabilization corporation and select its board of directors and management.

No direct benefit in savings or dividends to be paid to the producer unless and until he affiliates with his State or district organization by becoming a member at his local shipping point, thus, automatically, such producer becomes a part owner and controller of the State and national organization. The farmer on the outside will thus be encouraged to join the cooperative as the profits, aside from reserves held by the stabilization corporation, and the district organization, will be paid to the member on the patronage dividend plan according to the bushels delivered by each in compliance with the Capper-Volstead Act. The profit made on the nonmembers' business will thus be given to the member. This will create the incentive for the individual producer to affiliate with and take advantage of the farm board bill and the structure created under it.

This legislation will automatically centralize, federate, and standardize cooperative marketing activities in the United States and give to the individual producer, when organized, a powerful cooperative marketing structure, or system, which will control agricultural markets, the same as other organized groups control the sale of their products, with the assistance and regulation of State and national laws, without putting the Government into business but leaving with it the power to regulate and supervise when necessary.

We have ample State legislation in the form of the standard State cooperative marketing laws. The courts have standardized these laws<sup>2</sup> so that the proposed Farm Board legislation will enable the various cooperatives now organized, and to be organized, to federate and develop into large national concerns with ability to solve their own marketing problems from time to time, as they arise.

Mr. BRINTON. The proposal we present to the committee, briefly outlined in the pamphlet before you, is based upon the public utterances of President Hoover for the establishment of stabilization corporations to be owned, controlled, and operated by the farmers or producers; and we respectfully submit to your committee that we would like to see a bill enacted similar to the McNary bill, introduced at the December session of the Seventieth Congress, with certain changes, as I will indicate. We want a Federal farm board established, appointed by the President and confirmed by the Senate, to lay down rules and regulations, and to give financial aid to com-

<sup>2</sup> See United States Supreme Court decision, February 20, 1928, October term, 1927, Liberty Warehouse Co. v. Burley Tobacco Growers Cooperative Marketing Association, Justice McReynolds.



modity cooperative organizations, with the idea of building up a triple system of marketing, based upon local commodity cooperative organizations, which will collectively own and operate their regional or State cooperatives, and the collective group of regional and State cooperatives to be the sole owners, controllers, and operators of the stabilization corporations in their respective commodities, subject to the supervision and rules and regulations laid down by the farm board. We are in harmony with the declaration of policy in the McNary bill as to the farm board, as defined, and as to the number.

In the matter of advisory councils, we feel that if the commodity organizations are developed under this plan, the advisory council is not necessary, and that the board of directors, officers, and controllers of the respective commodity stabilization corporations should act as their own advisory council in dealing with the farm board. We feel that if an advisory council were selected by the farm board it might not be in harmony with the organized farm commodities, and, possibly, would create friction or contest of opinion between the producer and the commodity business organizations. It might not represent the producer as he is organized in a business way. However, if an advisory council should be advisable, then the advisory council should be chosen by the organized commodity cooperatives and not by the farm board, so that the advisory council would be in harmony with and speak for those farmers who have developed their large-scale cooperative organizations or business institutions.

At a meeting of the wheat cooperative group at Kansas City last week, they went on record making the advisory council optional, so that the farm board might in some cases deem an advisory council necessary, but in other commodities, where they were highly organized, that they might deem the advisory council a surplus set-up. We concede that position.

Now, in the matter of a stabilization corporation or corporations, we hold that there should be one stabilization corporation for each commodity, so that in dealing with the commodity the farm board would have one corporation to deal with instead of having three, four, or more. As to stabilization corporations in grain, for instance, we all agree that the job will be a big one, and that one big stabilization corporation can deal with it more efficiently than a multiplicity of stabilization corporations in grain as a whole, dealing with it through our elevator, grading, and warehouse system. To that extent, we are not in accord with the McNary bill, which provides that the farm board may certify one or more stabilization corporations in each commodity.

I think, probably, if I refer to this chart printed in the pamphlet, I can get my points over more rapidly. On page 5 of this pamphlet, I have a diagram of the Federal farm board dealing with all commodities, the board to be appointed by the President and confirmed by the Senate. The diagram shows the Federal farm board laying down rules and regulations governing the operations, with a revolving fund, and loans to the cooperatives, dealing through one stabilization corporation for each commodity, such as grain, for instance, cotton, livestock, etc.



Those stabilization corporations are to be under the direct supervision of the farm board but they are to be masters of their own business. They operate as to time and place and when and where as they see fit in their collective judgment, being supervised only as to activities which involve loans or responsibilities which come back to the Federal farm board, the plan being such that this stabilization corporation in grain, for instance, may be chartered, owned, and operated through stock certificates, the stock certificates to be held by regional or State commodity cooperatives. The details, of course, will have to be left to rules and regulations, but that is the basic idea we have.

Following that is a set-up on page 7 in grain. That would give us a grain stabilization corporation which would be owned and operated, as I have indicated on the diagram there, by the State or regional grain cooperatives. The principle involved here is that the cooperatives which participate in the stabilization corporation shall qualify under the Capper-Volstead Act, or shall be cooperative institutions organized on commodity lines, with the patronage dividend feature. So that there would be developed under the stabilization corporation in grain large-scale cooperatives similar to the Canadian wheat pool, the Land o' Lakes organization in Minnesota, the Dairy-men's League, or the Twin City Milk Producers, or the fruit organizations in California.

Then, on page 9, is a diagram of a State or regional cooperative, and I have illustrated that by the activity in Nebraska. This State organization, which would be a stockholder in the stabilization grain corporation, with other like organizations, would select the management and board of directors. The State organization would be owned, controlled, and operated by the respective local units or local associations, as I have outlined it here, taking it on down to the Nebraska local elevator associations. The local association is to be directly owned, operated, and controlled by the grower of the grain on the ground. This plan bases the whole educational and organization activity and control on the local unit. I have in mind a long-time program, so that you would not build a temporary top-heavy structure without a proper foundation, and having in mind that if Congress passed a bill along this line, the educational activity would rest upon the men at the particular shipping point interested in the particular commodity, and then, collectively, through the State and regional meetings perfect their district organizations, and then, the district organizations perfecting their set-up to take charge of their stabilization corporation charter. Supervision would be through the farm board, regulations being laid down so that when a local unit organized, they would know that they were in accord with the national set-up, which would automatically bring together the whole structure of cooperative set-ups, from the local up to the national concern.

Now, there are two items in the McNary bill that I want to stress. One is the lending of money to accredited and properly organized cooperative organizations, to establish the necessary facilities for the transaction of their business, without making it necessary for the farmer to dig down in his pocket to buy the stock in the local institution or to buy stock in the district organization, to the end that the commodity may be organized, and then, in years to come,

through deductions from the farmers' handlings, as has been very successfully carried out in Canada, to create a fund to retire the loan over a period of years.

I think that one of the biggest handicaps that the cooperatives have had, when they have attempted large-scale operations, has been the handicap of establishing their own facilities to handle their own grain, so that they can employ technical men who may not only handle the grain and sell it but actually condition it and process it for marketing. I do not think that the amount provided under the McNary bill is sufficient. I think it ought to be at least \$50,000,000, but in the bill, as it now stands, \$25,000,000 is provided.

The other feature I want to stress is the providing of extension funds, educational funds, or organization funds, so that the accredited cooperatives, when this bill is passed, can borrow money for this work, and I refer to the fact that this financial credit system is being used in Nebraska now. I suggest these loans so that, as soon as the bill is passed and signed, the cooperatives in their respective districts, regardless of their financial condition, if they comply with the rules and regulations, would be able to secure sufficient funds with which to carry on their educational work, so that they can carry the story, with a copy of the bill and of the rules and regulations, into every local shipping point, so that the farmers may have the intelligence and the opportunity to immediately perfect their local set-ups. In most cases that would simply mean just a slight reorganization or very slight change in their present local organizations, or their establishments where they now exist. Where the organizations do not exist, they would have the bill, the rules and regulations, and so forth, giving them the complete story, and they could then immediately secure funds with which to establish their local utilities. The application would be made for such loans, would pass through the district organization, and from the district organization to the stabilization corporation, and the stabilization corporation would approve such loans and pass them on to the farm board; so that the farm board in dealing with the farmer would deal only through the stabilization corporation. Such loans could be made so that the stabilization corporation would underwrite them, and the district organization would underwrite them, while the local organization would stand behind the loan in the first instance.

Now, I think, as I have discussed it with my associates in Nebraska, where we have a large undertaking under way, the greatest thing needed in a new farm proposal is educational activity, in order to carry to the grower, whatever the bill may be, information that will let him know how to use this bill and how he shall organize under it, or how to help himself by getting his house in order to get the benefits of the bill. If this bill were passed and filed away, and that work not carried on, you would have, in my opinion, some wild-cat promotions. Men who are aggressive and who would want to lead the farmers, would go out and organize various types of cooperatives, and the farm board would have no supervision over them in the long run. The types of development that would have no chance of success might have the best salesmen at the head of them, and in 3, 4, or 5 years the farm board would have to reorganize all of them on a sound basis. If the organization of the

cooperatives proceeded on that line, it is my opinion that the farm board would have no supervision over the development of the cooperatives, whereas, on the other hand, if they would lend the money, the organization would have to put its house in order and adopt correct business methods in conducting their business. The organization that would comply with the farm board rules and regulations and secure aid would go in and organize the territory and would develop it at the expense of the one that would not comply with the sound rules of regulations laid down by the board.

Personally, I think that the educational activity is one of the most important. Before we start a big machine in motion from the top, we ought to know that the set-up, from the ground up, is sound, or based on sound practices, as developed by some of the largest business institutions in the world, which are cooperatives, in Denmark, Canada, and in this country. The sponsors of the farm board, and the farm board itself, could then have some confidence in the structure they built. There is only one way by which to do that, and that is by the establishment of rules and regulations at the time of organization. If you had no rules and regulations governing the organization, then your cooperatives would be coming to the farm board highly organized, but probably not properly organized, with a lot of unsound ideas, and, because of that, the board would have a lot of grief; first, because they would not want to aid that type of structure, and, second, if they aided them, the trouble would come later. Therefore, I think that the basis of any farm board proposal or legislation should be the local unit, where the farmer deals with his commodity. The educational activity should be there also. We think that the local unit should receive assistance to the extent of making it possible for some one to go in there, representing that commodity, show them how to organize, what the rules and regulations are, and so forth. We can not do that without money, but the United States Government is expending millions of dollars for extension work in agriculture, showing them how to plant, how to sow, or to tan & hide, or how to can strawberries. I think you ought to appropriate a very liberal sum, to be given out under loan features, and to be paid back, in order to tell the farmer how to use the legislation which the Government has given him.

The CHAIRMAN. Have you completed your statement?

Mr. BRINTON. Yes, sir; that is my general statement on the question.

Mr. KINCHELOE. Your idea is that there ought to be a stabilization corporation for every commodity?

Mr. BRINTON. Yes, sir.

Mr. KINCHELOE. Now, taking this set-up that you have here in your brief, what additional inducement will this bring to the individual farmer, who is not now in a cooperative marketing association, to join one?

Mr. BRINTON. The stabilization corporation, properly managed and operated, will make money just the same as any grain company can make money. Under our proposed policy we set aside a reserve that should be appropriated back to the district cooperatives. The district cooperatives will make money by savings and economies on the present tariffs, which are very high, and your local elevators in

buying grain will make a margin, so that the grain organization, as contemplated here, would show a profit.

Mr. KINCHELOE. Granting that to be true, and I am frank to say that you are overextravagant about that, how is the individual farmer to know that is going to happen until it is demonstrated to him by actual experience?

Mr. BRINTON. My statement is based on the experience of the Canadian wheat pool, which has reduced the handling charge at the country elevators—

Mr. KINCHELOE (interposing). You are not answering the question I asked. Granting your assumption that they will make money, how will you get the individual farmer, who is now not in a cooperative, to come into a cooperative association, until it is demonstrated to him that this fact has been accomplished?

Mr. BRINTON. The farmer is willing to come in. As a matter of fact, he comes in too freely. We have 50 per cent in Nebraska and Wyoming under contract, or 50 per cent in Nebraska and 35 per cent in Wyoming. We will have 50 per cent in both States by July 1, who will have approved the plan and signed the contracts. The farmer is too willing to go into them. They frequently go into something that is not sound.

Mr. KINCHELOE. Do you mean to say that your farmers are too free in going into cooperatives?

Mr. BRINTON. Yes, sir; they join everything that comes along.

Mr. KINCHELOE. That is not true in my part of the country. You can not get them to join a cooperative marketing association there now.

Mr. BRINTON. I only made that definite statement—

Mr. KINCHELOE. How much do you think it would take out of the Federal Treasury, in the way of a revolving fund, to establish and operate the stabilization corporation for wheat and to take care of the surplus?

Mr. BRINTON. I would say grain.

Mr. KINCHELOE. Well, we will take it for grain.

Mr. BRINTON. It is rather hard to say, but we are making a complete job of it in two States with an outlay of probably \$100,000 which is a loan advanced by the finance company, and which will be paid back.

Mr. KINCHELOE. What States are those?

Mr. BRINTON. Wyoming and Nebraska.

Mr. KINCHELOE. What percentage of the wheat crop do they produce?

Mr. BRINTON. We have a minimum requirement of 50 per cent, and in Nebraska we will have 50 per cent.

Mr. KINCHELOE. What percentage of the wheat crop in the United States does that represent?

Mr. BRINTON. About 60,000,000 bushels of wheat were produced in Nebraska during the past two years, and probably eight or ten million bushels in Wyoming.

Mr. KINCHELOE. Then, you grow about 10 per cent of the wheat crop.

Mr. BRINTON. I think Nebraska is about the third wheat State.



Mr. KINCHELOE. And you say this stabilization corporation could handle the wheat for those two States on a revolving fund of how much?

Mr. BRINTON. I was not referring to that. I misunderstood you.

Mr. KINCHELOE. I want to get your opinion as to how much revolving fund it would be necessary to take out of the Treasury of the United States to properly finance a stabilization corporation in handling the grain of this country, or to handle the surplus grain for the whole country.

Mr. BRINTON. The grain that goes through our organization is already under contract—

Mr. KINCHELOE (interposing). That does not answer my question. In your judgment, how large a revolving fund would be required to enable a stabilization corporation to operate successfully in handling the grain for the United States?

Mr. BRINTON. I think the amount, in addition to what the intermediate credit banks would advance, which is 75 per cent, would probably be, based on the present price, about 20 cents per bushel. If you have an entire surplus of 200,000,000 bushels, it would require a very small proportion to handle it. It would be physically impossible to buy all of it.

Mr. KINCHELOE. So the stabilization corporation would go to the Federal intermediate credit bank and borrow 75 per cent of the amount required, and they would come to the Federal board for about 20 cents per bushel.

Mr. BRINTON. Yes, sir; to make up the difference.

Mr. KETCHAM. What would be the assets back of that loan made by the Government?

Mr. BRINTON. It would be the same as any other company which goes into the grain business, and which successfully operates, would have. I am assuming there that the farm board to be created will be composed of men of business ability, and that the stabilization corporations will be operated by men of ability.

Mr. KINCHELOE. Do you assume that the surplus will be sold on the world market, at the world price, and, therefore, at a loss?

Mr. BRINTON. No, sir; I do not assume that. The wheat that is sold abroad is a low-grade wheat, on which you could not collect the tariff, in any event, unless you had an embargo.

Mr. KINCHELOE. Is it your idea that the tariff on wheat is not effective?

Mr. BRINTON. No, sir.

Mr. KINCHELOE. Why not?

Mr. BRINTON. Because it is not under control.

Mr. KINCHELOE. It is because we raise a surplus, is it not?

Mr. BRINTON. We do not raise a surplus of wheat upon which the tariff would be effective. We raise a surplus of wheat, but our surplus wheat is of a very low grade.

Mr. KINCHELOE. You are the first one, in my experience, who has ever said or contended that the tariff on wheat is effective at all.

Mr. BRINTON. It is not effective, except in a small degree. For instance, last winter they paid in Kansas City a 50-cent premium on Nos. 1, 2, and 3 wheat.

Mr. KINCHELOE. Do we not have any hard wheat exported from this country?



Mr. BRINTON. Yes, sir.

Mr. KINCHELOE. How much?

Mr. BRINTON. Aside from Durum wheat it is a low-grade wheat.

Mr. KINCHELOE. How much Durum wheat do we export?

Mr. BRINTON. We exported, I think, about fifty or sixty million bushels of Durum wheat. I am not sure about that.

Mr. KINCHELOE. Is it your idea that this proposed revolving fund should take care of the surplus crop of wheat, and any other surplus crop, without any loss to the Federal Treasury?

Mr. BRINTON. I think the stabilization corporation could make enormous sums of money every year.

Mr. KINCHELOE. You think there would be no loss.

Mr. BRINTON. There might be in some years, but for a period of years there would be none. I am assuming that the stabilization corporations would be run by men of ability, who would hire experienced technical men to operate the business.

Mr. KINCHELOE. Is it your idea that the farmers who go into the cooperative organization would deliver their wheat to the organization, and that the stabilization corporation would pay them all down for the wheat, or a certain percentage of the price?

Mr. BRINTON. The farmer would deliver his wheat to the local cooperative institution. The stabilization corporation would have to deal only with that part of the crop which the farmer did not control.

Mr. KINCHELOE. How much do you think the local cooperative would pay him down, or what percentage upon the delivered wheat?

Mr. BRINTON. Under the present laws, we have had 75 per cent, but under the McNary bill the proposal is that the Government shall advance 85 per cent when needed. In many cases, the grower would not want to have more than 75 per cent.

Mr. KINCHELOE. Yet, I do not see what will be the great inducement to the individual farmer to join, because the cooperatives have got a very small percentage of the farmers in them. I do not see how you will operate successfully through the cooperatives if the farmers do not join them.

Mr. BRINTON. But you will get the farmers. There are too many farmers willing to join any organization. They are anxious to come in and join anything.

Mr. KINCHELOE. How many farmers are members of cooperatives in those two States?

Mr. BRINTON. If the farmer knows that instead of paying out money he is to receive money when he comes in—

Mr. KINCHELOE (interposing). That is not answering the question I asked you.

Mr. BRINTON. I am trying to make a statement about that. It is not a theory, but it is a practical question.

Mr. KINCHELOE. Do you not charge any dues or initiation fees in your cooperatives?

Mr. BRINTON. That is \$2 a year, and they pay for a paper.

Mr. KINCHELOE. Then, why should you have no more cooperatives than you have in your State now?

Mr. BRINTON. The reason we have no more is because one cooperative organizes on this idea and one on the other idea, and they fight among themselves. You have no system there on which they

can coordinate. It would be the same as if you wiped out all the banking laws.

Mr. KINCHELOE. What percentage of the farmers in your territory are members of one cooperative or another?

Mr. BRINTON. Well, if they are not they have been—

Mr. KINCHELOE (interposing). They have been in my country, too, but they keep out. How many farmers in your territory belong to the cooperatives or to one cooperative or another? How many are members in good standing?

Mr. BRINTON. We have no large cooperatives in Nebraska except—

Mr. KINCHELOE (interposing). That does not answer my question. I think you said there were so many wanting to join there that you had to keep them out, or that you could not let all of them in.

Mr. BRINTON. I would say that 80 per cent of the farmers in my own district would join the cooperatives if they saw there would be some method—

Mr. KINCHELOE (interposing). That does not answer the question I asked you. What percentage of your farmers are members of cooperatives now?

Mr. BRINTON. I would say that 95 per cent would join some organization.

Mr. KINCHELOE. How many are members now in good standing?

Mr. BRINTON. I can not tell you that because I have no books or records available that would show.

Mr. KINCHELOE. Then, they are not running over each other and fighting to get in, as you indicated at first.

Mr. BRINTON. I can give you the numbers if you wish it. We signed up 81 per cent in the two counties that we first canvassed.

Mr. KINCHELOE. You still do not answer my question. You certainly understand the English language.

Mr. BRINTON. I hope so.

Mr. KINCHELOE. Then, you are trying to evade it.

Mr. BRINTON. I will try not to do so.

Mr. KINCHELOE. What percentage of the farmers in your part of the country are in some cooperative or other?

Mr. BRINTON. I said that I do not know that, because I do not have the books or records.

Mr. KINCHELOE. You have no idea of it?

Mr. BRINTON. I have no idea.

Mr. KINCHELOE. Then, you do not know whether they are running over each other to join?

Mr. BRINTON. I do know for this reason, because I am at the head of an organization, and I know that within the period we have canvassed, in townships where they are 100 farmers, 60 or 75 have signed up.

Mr. KINCHELOE. They have signed up now.

Mr. BRINTON. Yes, sir.

Mr. KINCHELOE. And paid in money?

Mr. BRINTON. Yes, sir, or they have signed a pledge to pay money.

Mr. KINCHELOE. If they are so anxious to go in under the present method and are so well satisfied with it that you have to keep a

waiting line to get them in, why do you want anything whatever out of the Federal Treasury?

Mr. BRINTON. That is a compound question. We want to get something that will satisfy them of their ability to do something.

Mr. KINCHELOE. Why are they not satisfied if they are trying to get in? I think most of them want to get out. Do you not think that you overstepped yourself a little when you said that the farmers were falling over themselves in order to get in.

Mr. BRINTON. No, sir; I think that 80 per cent would join the cooperatives immediately if the Federal Government provided a structure of organization.

Mr. JONES. Mr. Brinton, how would you get the capital stock for these stabilization corporations?

Mr. BRINTON. As outlined in the McNary bill; a revolving fund from the Treasury.

Mr. JONES. But the borrowing of a fund does not create a capital stock.

Mr. BRINTON. I will agree with that; but that seems to be the intent of the bills that have been introduced here for many years, including the McNary-Haugen bill. It is to create a revolving fund.

Mr. JONES. On wheat, for instance, just how much capital stock do you think this corporation should have?

Mr. BRINTON. I think that when they were operating they would require very little, because of other credit channels.

Mr. JONES. When they are starting in, would you have a nominal capital stock or a substantial capital stock?

Mr. BRINTON. I have outlined in this brief \$300,000,000 for the collective group.

Mr. JONES. But this is as a loan. When I borrow \$300,000,000 I do not have any more capital stock than I have now, do I?

Mr. BRINTON. Congressman, I am assuming that the legislation proposed is to give the farmer a capital stock—a revolving fund, so that he does not have to put up capital stock out of his own pocket.

Mr. JONES. The McNary bill does not provide for capital stock. It provides for a revolving fund, but that is a loan. Now, you have got to have some sort of capital stock.

Mr. BRINTON. All right. Let me explain that. The McNary bill provides a revolving fund of \$225,000,000, which shall be used as a capital stock.

Mr. JONES. No; I do not think so.

Mr. BRINTON. And that they may call upon that fund to any extent that they may need it, and pay 4 per cent on it.

Mr. JONES. I think either you or I have misread the McNary bill.

Mr. BRINTON. All right; we will call it a revolving fund.

Mr. JONES. I thought all the cooperatives were taking the position that they did not want a subsidy.

Mr. BRINTON. Oh, no; I do not want a subsidy.

Mr. JONES. If the Government presents capital stock to a stabilization corporation, that is a subsidy, is it not?

Mr. BRINTON. Yes; but I would not say it is a subsidy if you pay interest on it and pay it back.

Mr. JONES. If you are going to borrow money, you do not mean that you are going to create capital stock through the borrowing?

Mr. BRINTON. They did in the land banks.

Mr. JONES. Oh, no. Each borrower bought a certain percentage of his loan in capital stock.

Mr. BRINTON. Who set up the capital stock in the land banks? The United States Treasury?

Mr. JONES. The United States Treasury created an original fund; yes, but each borrower in every community was made jointly responsible up to 5 per cent of his neighbor's loan.

Mr. BRINTON. And capital stock; \$5,000,000 for each bank.

Mr. JONES. No; the bonds were sold—

Mr. BRINTON (interposing). I am speaking of the capital stock.

Mr. JONES. The Government furnished the original capital stock; that is right, but provision was also made for undivided interest of each borrower.

Mr. BRINTON. That is right.

Mr. JONES. That is what I am getting at. How much do you think the Government should present as capital stock, then, to these corporations?

Mr. BRINTON. I think the Farm Board should be given a revolving fund big enough so that they could provide capital stock sufficient for each stabilization corporation, and, as outlined in the McNary bill, that they should pay on that 4 per cent and retire it as fast as they can, as the land banks have done.

Mr. JONES. You think it should be a borrowed capital stock wholly, then?

Mr. BRINTON. Yes, sir.

Mr. JONES. You do not think the cooperatives should buy the capital stock in any amount?

Mr. BRINTON. I do not think it would be possible to raise hundreds of millions of dollars through cooperative subscribers.

Mr. JONES. You think the Government should furnish the capital stock of these corporations?

Mr. BRINTON. Exactly.

Mr. JONES. You said a while ago that you thought all these cooperative organizations should underwrite this loan?

Mr. BRINTON. I was not speaking of the capital stock loans; I was speaking of the physical facility loan. It is a different proposition entirely.

Mr. JONES. You do not think, then, that the cooperative organizations should underwrite the borrowings for the capital stock?

Mr. BRINTON. Not the stabilization corporations, because they are going in to carry on a public service, to stabilize prices outside of the cooperatives, for the interest of the public generally, and the producer and the consumer.

Mr. JONES. Do you feel, if the Government should furnish this stock outright, that it would be a very good loan?

Mr. BRINTON. I do not consider that that is a good loan at all. I do not think it was a good loan when they established the Federal reserve system, nor when they established the land bank system, nor when they loaned money to the railroads.

Mr. JONES. They did not establish the Federal reserve system on anything like that basis. The banks themselves furnished the capital stock of the Federal reserve system.

Mr. BRINTON. That is right; afterwards; after the law was passed.



Mr. JONES. No; they did not after the law was passed. They were required to buy stock equal to 6 per cent of their capital and surplus in the Federal reserve system.

Mr. FULMER. The Government furnished the first money.

Mr. JONES. Not in the Federal reserve system, except a small part for starting purposes.

Mr. FULMER. Absolutely.

Mr. BRINTON. I think the appropriation was a very handsome one.

Mr. JONES. They required the banks to buy a certain amount of the capital stock.

Mr. BRINTON. And we require the cooperatives, under the California or the Danish system, to put up the same kind of security; good, hard-boiled commercial agreements.

Mr. JONES. I was just trying to find out how well you have thought out this system of loans. Then you would not have the local cooperative buy this stock at all?

Mr. BRINTON. Only in the region or district.

Mr. JONES. Now, if the Government furnishes this money, and then takes a second lien on the balance of the fund, this corporation, for which the Government is going to furnish capital stock, is then to go to the intermediate credit banks or other outside sources and borrow 75 per cent of the value of the commodity as a first lien, is it not?

Mr. BRINTON. Yes.

Mr. JONES. And then these stabilization corporations are to take a second lien for the balance?

Mr. BRINTON. That is right.

Mr. JONES. Now, has not banking experience shown, and is it not based on ordinary business experience, that this 75 per cent is all that can be safely loaned on a fluctuating commodity?

Mr. BRINTON. Congressman, I think I can make this very clear to you if you will let me outline in two minutes what the cooperatives have actually done in grain in a big way, to show you the feasibility and the soundness of it.

Mr. JONES. I do not have time to let you outline that. As a matter of fact, if the cooperatives had been thoroughly successful, there would not be any need for any of this organization, and it is for the reason that they have not always been thoroughly successful that the Government's assistance is being provided. Now, I am trying to find out how good a chance they would have to succeed on this basis. The Government would have to furnish capital stock and then take a second lien for this money. Now, it does not seem to me that you would have much inducement for people to come into a cooperative organization if the inducement were the chance for success of a stabilization corporation which had borrowed capital stock with a second lien for security.

Mr. BRINTON. I do not agree with your assumption at all, Congressman, when you say that the cooperatives have not made successful demonstrations. We have the biggest grain company in the world.

Mr. JONES. I do not mean that they have all been failures. I am for the cooperatives, and I think some of them have made a great success; but some of them have not.

Mr. BRINTON. We want to base this structure upon the practice and experience and success of the big successful cooperatives, so that it will work out on a business basis, and not in a mess.

Mr. JONES. Now, if there are two or more cooperatives in the same thing, you would allow them both to have capital stock, would you?

Mr. BRINTON. Not in the same district. Under rules and regulations I would see that they coordinate their activities and get together.

Mr. JONES. If there were two successful cooperatives in a district, you would pick out one of them and let it have stock?

Mr. BRINTON. No, sir; I would make a more successful cooperative by having the two consolidate.

Mr. JONES. Would you force a consolidation?

Mr. BRINTON. You would not need to force a consolidation. You would have rules and regulations. The one that would comply with the rules would get help, and the other would not, which would mean that they would both come in.

Mr. JONES. And if they both came in—

Mr. BRINTON. You would have a more successful one, because the two would be consolidated.

Mr. FORT. Mr. Chairman, I have just received a telephone message which requires me to leave the room for 15 or 20 minutes. I want to ask two or three questions, and I would like to ask unanimous consent that I may exchange time with Mr. Ketcham.

The CHAIRMAN. Without objection, it is so ordered.

Mr. FORT. Mr. Brinton, you have said in your memorandum that you think the Federal farm board ought to have power to provide additional money to increase margins from 60 to 70 per cent up to 85 per cent. Do you think that is a sound business proposition?

Mr. BRINTON. That is on the assumption that your stabilization corporation would operate. In that event, you would not have \$2 wheat and then \$1 wheat.

Mr. FORT. You would use the stabilization corporation, then, as an insurance policy to make your loans?

Mr. BRINTON. Exactly. Stabilize your prices, and then your 85 per cent would be a sound loan.

Mr. FORT. You would only expect the stabilization corporation to prevent a greatly depreciated market. You would not, therefore, expect it to operate to protect 85 per cent loans at a fairly high price for wheat, would you?

Mr. BRINTON. No, sir. That would come under your rules and regulations, because your rules and regulations would dictate to the board, or the stabilization corporation, inasmuch as they are using Government money, when they should buy and at what level.

Mr. FORT. Then you would not put in the act any specific provision that they might loan at 85 per cent; you would leave that to the board?

Mr. BRINTON. I would leave that as it is in the McNary bill; that the stabilization corporation or the farm board would have the option to extend the loan to 85 per cent if in their judgment it seemed sound.

Mr. FORT. You have a provision here about facility loans to be made by the board. We have had several witnesses representing

other strong cooperatives who felt that those loans ought to be made through the Federal intermediate credit bank on a banking basis, and not through the board on a relief basis. Have you any comment to make on that?

Mr. BRINTON. I would not have any objection to that, but it opens a possibility of a policy being developed by two departments that might be in conflict.

Mr. FORT. They say that you ought not to give any power to the Federal farm board to make facility loans at all; that those ought to be made only as banking propositions through the intermediate credit banks.

Mr. BRINTON. It would be perfectly agreeable to us, as far as the policy of the Omaha bank is concerned.

Mr. FORT. You would want it in one place or the other, and you would not care which?

Mr. BRINTON. Provided we got the service, I would not care which.

Mr. FORT. Apparently, from your charts here, your cooperatives that you are organizing in Nebraska include many commodities in a single cooperative; is that correct?

Mr. BRINTON. We are organizing on wheat to give us a guaranteed volume, and taking on coarse grains and corn immediately following.

Mr. FORT. Do you believe that it is wise for a cooperative or a stabilization corporation to operate in more than a single commodity?

Mr. BRINTON. I consider grain a commodity.

Mr. FORT. You believe, then, that we should have a single stabilization corporation for all grain, including all the grain cooperatives?

Mr. BRINTON. Yes; for the reason that we have a uniform grading and warehouse system that covers grain, and it would not upset any existing tariffs or warehouse rules and regulations.

Mr. FORT. Is your system one which federates small existing cooperatives, or does it begin with a State organization and then set up the local cooperatives?

Mr. BRINTON. It starts from the ground, at the local point.

Mr. FORT. I mean, were those local cooperatives in existence before you began?

Mr. BRINTON. Yes, sir.

Mr. FORT. And you have simply federated them?

Mr. BRINTON. We have gone to them and had them set up a new system.

Mr. FORT. That, you believe, is the only way to do it?

Mr. BRINTON. Yes, sir. It does not displace or duplicate any existing cooperative.

Mr. FORT. How do you create your State organizations?

Mr. BRINTON. Your State organization would automatically be created if you set up the locals.

Mr. FORT. Then, do you believe in federating those State organizations into a national organization?

Mr. BRINTON. Exactly; which would be your stabilization corporation.

Mr. FORT. You have talked a good deal, and I agree with you, on the question of the necessity for educating the farmers on cooperatives. Do you advocate doing that through the Federal farm board or should we do that through some such provisions as we have in the Purnell bill for other types of extension work? Should we do

that through the Department of Agriculture and the agricultural colleges, going into the education of the farmer in cooperative marketing exactly as we have gone into the education of the farmer in production?

Mr. BRINTON. I think it could be carried on through the stabilization corporations, so that the educational work as applied to cotton marketing would not be conflicting and mixed in and hodgepoded with wheat marketing education; and in my opinion the commodity stabilization corporation is a proper agency to educate and carry out and extend to the farmer the rules and regulations that they require farmers to use in marketing their commodities.

Mr. FORT. Another thing that has occurred to me, or rather has been suggested to me by one or two very able cooperative leaders, is that we should also insist upon the agricultural colleges giving education in cooperative marketing for the purpose of training leaders.

Mr. BRINTON. Exactly; yes, sir.

Mr. FORT. Referring to some of the questions asked you by Mr. Jones, it is your idea that the Government should advance the capital to cooperatives or to a stabilization corporation, or to both?

Mr. BRINTON. No, sir. I think I could make that clear in this way: The farmers should create their local facility, which largely they have now, and then collectively, under your rules and regulations, should go into their State or district federation; and when they have done that, the farm board would give to those groups a charter and distribute stock to them, with no par value, so that they will have control and operation of their own business from the local elevator to the national concern. Now, the revolving fund furnished to these stabilization corporations, as outlined in the McNary bill, provides that they shall operate by going into the open market, when necessary, on a declining market, for instance, and buy the commodity that the cooperatives do not control.

Then, as the cooperatives develop, the burden of the stabilization corporation becomes less every year, because the control becomes larger in the possession of the cooperatives. If we had the grain cooperatives in this country that they have in Canada, I do not think you would need a stabilization corporation, if you had the protection and the rules and regulations to coordinate their activity. We have some 12 wheat States, and up there they have only three, and we have four or five or six major markets and they have practically one. I think that is why they have been able to do it there, and we have not done it here.

Mr. FORT. It has been provided in various bills that have been introduced here that the Government should loan to a stabilization corporation the working capital which it needed; in other words, in effect a subordinate loan to the loans made to the corporation by commercial institutions.

Mr. BRINTON. That is right.

Mr. FORT. That is what you mean by loaning them the capital?

Mr. BRINTON. That is right.

Mr. FORT. You would not have the Government own the stock?

Mr. BRINTON. No, sir. I would let the Government have its control through supervision, and let the farmer control by stock certificate.



Mr. FORT. The Government to have supervision of the cooperatives as well as the stabilization corporation?

Mr. BRINTON. If they supervise the stabilization corporation, they automatically supervise the lesser organizations, because they would be the owners of it.

Mr. FORT. You would not have the Government supervise the stabilization corporation to the extent of using the Federal Farm Board as the body to control the policies of the stabilization corporation?

Mr. BRINTON. Oh, no; I do not think that would be sound.

Mr. FORT. Or the price at which it would buy or sell?

Mr. BRINTON. No. I think the cooperatives would generally supervise as to policy, price level, and such things as that.

Mr. FORT. What do you mean by price level?

Mr. BRINTON. If the stabilization corporation, for example, wanted to establish an arbitrary price of \$2 a bushel, I think the Farm Board should have some prerogative to say no. A high price, in my opinion, is just as damaging as a low price. We want the happy medium.

Mr. FORT. Do you feel that there is any possible way by which you can control production?

Mr. BRINTON. In my opinion, if you can not control it through cooperative organizations, you can not control it in any other way. The cooperative has direct contact with all its people, and if it carries on an educational activity, it can do more to curtail production than the public could on the outside.

Mr. FORT. But they can not control it on any of these nation-wide crops unless they are federated nationally?

Mr. BRINTON. That is it exactly.

Mr. FORT. You have spoken of the impossibility of making the wheat tariff effective on those grades for which the domestic demand does not exist.

Mr. BRINTON. On your low grades. For instance, I do not think you could ever collect a 20-cent tariff, to say nothing about 42, on damaged wheat. You may have several million bushels of it. But if you do collect the tariff on the high grades, which the stabilization corporation can do, you stimulate in the mind of the farmer the desire to raise high-grade wheat and less poor grades. So you pay him a premium on the tariff on good wheat.

Mr. FORT. Do you think that in setting up this policy we should ignore or substantially ignore those commodities which are raised for the export market alone?

Mr. BRINTON. No; I think that ought to be dealt with by the people who are handling them. If we pass upon the cotton situation, I would not attempt to. I am not a student of it, and I do not know.

Mr. FORT. I am speaking of grades and qualities.

Mr. BRINTON. My opinion is that the tariff ought to be adjusted so that they have a 42-cent tariff, for instance, on 13 protein wheat, and a lesser amount on a low grade. I do not think the tariff is fair, because it is a blanket tariff on all grades of wheat, and one grade may be worth a dollar a bushel more than another.

Mr. FORT. But is the cost of production the same all the way through, relatively?

Mr. BRINTON. I do not think it is. If a farmer takes good care of his seed and plants it properly, it costs a little more than if he just throws it in the ground.

Mr. FORT. But on the lower grades is there not a greater yield per acre?

Mr. BRINTON. No, sir. As a rule, if you have smut in wheat seed, you are depreciating your field.

Mr. FORT. I mean your Pacific Northwest soft wheat; that practically all goes to Europe. Do they not get a greater average yield per acre?

Mr. BRINTON. Oh, yes.

Mr. FORT. And that would give them a lower cost per bushel?

Mr. BRINTON. Yes, sir. That is true in western Nebraska.

Mr. FORT. That is all.

Mr. FULMER. Mr. Brinton, have you given any thought to the idea of placing in this legislation a revolving fund to be used by the cooperatives for mass buying for their members, for instance, for fertilizer, machinery, and so forth?

Mr. BRINTON. No, sir. I have not given any thought to anything except the marketing problem, although I am in sympathy with the other development.

Mr. FULMER. Do you not think that is quite a problem with the farmer to-day?

Mr. BRINTON. Yes, sir. I think that would come automatically as your cooperatives develop; because they are very ambitious to do everything they can.

Mr. FULMER. I think that is all.

Mr. HALL. Mr. Brinton, if it is found necessary and advisable to set up an advisory council, how, in your opinion, should it be organized or appointed?

Mr. BRINTON. I think that the selection should come from the commodity cooperative organizations who have dealt with the problem and know the obstacles they are confronted with, and not from the general farm element.

Mr. HALL. For example, if the advisory council should be composed of seven members, it would be in line with your thought to have five of them experienced farmers appointed by the cooperatives, and perhaps have the other two appointed by the Federal Farm Board?

Mr. BRINTON. I would not be opposed to that. Mr. Hall, I have in mind this: That your farm board will represent the agricultural industry as a whole. The advisory council should be selected by the commodity producers representing their commodity, and the employed men would be your expert grain men in charge of the business.

Mr. HALL. As to the managers of your stabilization board, if those men were experienced men in any grains such as we find in the general market now, do you think they would have a 50-50 chance of making the thing pay out?

Mr. BRINTON. Oh, I think much better than that.

Mr. HALL. That is all, Mr. Chairman.

Mr. LARSEN. You are an economist, Mr. Brinton?

Mr. BRINTON. Well, I am a student of this subject, if that is what that word means.

Mr. LARSEN. I thought that was what you stated. Are you a dirt farmer, too?

Mr. BRINTON. I am not.

Mr. LARSEN. I understood you to say that we exported the low-grade wheats and not the high-grade wheats. Is that correct?

Mr. BRINTON. That is, aside from our durums.

Mr. LARSEN. Aside from that, yes; but I mean as a general proposition?

Mr. BRINTON. Yes.

Mr. LARSEN. I was interested in that for the reason that someone appearing before this committee, as I remember, said that on the contrary we only exported the high-grade wheats, and that your low-grade wheats were left on the domestic market.

Mr. BRINTON. I think I can make that very clear.

Mr. LARSEN. It is simply a difference of opinion, I take it.

Mr. BRINTON. The difference is based largely on contract option futures. A No. 2 hard winter can be delivered against an option contract. They always deliver against the option contract the lowest grade No. 2, and on any wheat of superior quality, the millers, knowing they well need it, bid sufficient to hold it from the export market. So we always have premiums on superior wheat, maybe 2, 3, or 4 cents; and during the low visible-supply months I have seen cars of wheat in the Minneapolis market selling for as much as 50 cents a bushel over the contract price.

Mr. LARSEN. It is your idea, then, that we consume our high-grade wheat rather than export it?

Mr. BRINTON. We consume all of our high-grade wheat and a lot of our poor wheat.

Mr. LARSEN. But we export the poor-grade wheat?

Mr. BRINTON. We export the poorer grades. That is the general rule. Of course there are isolated exceptions to it.

Mr. LARSEN. Then, the tariff not being effective on that wheat production, we do not get any advanced price on the low-grade wheat over the other?

Mr. BRINTON. As one of the men in the Department of Commerce said in a public bulletin, there is no method by which the farmer can receive a better price for his superior grades under our marketing system.

Mr. LARSEN. If that is true, then we ought to provide a tariff that would be effective on the different grades of wheat?

Mr. BRINTON. Exactly.

Mr. LARSEN. And if we do not do that, we will find that we are giving the preference to the production of low-grade wheat and putting that on the world market?

Mr. BRINTON. Well, a miller would not pay a 40-cent tariff on low-grade wheat. He would go to the Canadian border and pay a tariff to the Government and get high-grade wheat.

Mr. LARSEN. I believe you say that these stabilization corporations would make money, in your judgment.

Mr. BRINTON. I think they would make enormous sums.

Mr. LARSEN. Doctor Black appeared before this committee. He is a professor, I think, at Harvard. I think he used to be in Minnesota. Do you know him?

Mr. BRINTON. I know of him. I do not know him personally.

Mr. LARSEN. It is his testimony, if I remember right; that these stabilization corporations would really cost the Government money, or be a losing proposition instead of a money-making proposition, as you think.

Mr. BRINTON. I can not see how they would lose money unless you had a speculative market that would be stronger than the stabilization corporation, and I do not think that would be possible. I think your stabilization corporation would be so powerful that the speculator would quit the wheat market and you would have a dead market. The speculator has no opposition now.

Mr. LARSEN. Doctor Black is a man of considerable reputation, is he not?

Mr. BRINTON. Oh, I could quote men of national reputation—and I do not consider that I am in their field at all—who tell us that there is nothing in the cooperative movement; that the present system is working all right, and that the farmer is not working hard enough, and is spending his money for automobiles.

Mr. LARSEN. For some reason, they have not been before this committee. Is it your idea that they should spend money for promotion purposes?

Mr. BRINTON. I would not say promotion; I would say education.

Mr. LARSEN. How do you differentiate between educational and promotional purposes, in these organizations?

Mr. BRINTON. I am glad you asked that question. The Commissioner of Agriculture in a certain State told me that there were two men who came into his State with the potatoes rotting in the ground, organized a cooperative and secured a lot of membership fees, and then left the State; and the potatoes are still in the ground, and the promoters got the money.

That is a promotion. Now, if the Federal board had been in operation, the first thing they would have asked would have been, "Are you approved, and are you accredited; is the Government assisting in this activity?" They would have had to say, "No," and then your local leadership would have kicked them out of the community.

Mr. LARSEN. In most of the States, and in a good many of the counties of those States, we have demonstration agents, have we not?

Mr. BRINTON. Yes; county agents.

Mr. LARSEN. And they are accredited, in a way, by the Federal Government, are they not?

Mr. BRINTON. Yes, sir; I would say they are.

Mr. LARSEN. Why not let them be used as a medium through which the educational work would be carried on?

Mr. BRINTON. Well, the county agents have all they can do now. They have every farm problem piled into their little offices. They specialize in none; and in the State of Nebraska I would say that half of the county agents are not even interested in cooperative marketing. They do not think there is anything that can be done. They have made no study of it.

I think that if the Government spends money to develop grain marketing on a sounder basis, it should make a specialty of it and



have it handled by people who specialize in that work; and they are your cooperatives.

Mr. LARSEN. These agents are paid in part from funds appropriated by the Federal Government, are they not?

Mr. BRINTON. Yes, sir.

Mr. LARSEN. Then why should they not be required to do this educational work so far as it is necessary to be done, especially as the Federal Government is participating in the payment?

Mr. BRINTON. I do not approve of that, for this reason: I think that if there should be a development along dairy lines—for instance, butter making—the best agency in the northwest to carry on that work is the Land O'Lakes butter organization, the biggest butter organization in the world, and not the little county agents.

Mr. LARSEN. Your idea, then, is that the cooperative association should put on the educational program?

Mr. BRINTON. Exactly; after they are approved and accepted by the board and comply with the rules and regulations.

Mr. LARSEN. We have in my State—Georgia—a cooperative association handling cotton. Four or five years ago we had about 47,000 members in it. To-day we have about 4,000 members. Now, do you think that cooperative association would be a good medium to go out and teach the farmers in that State, perform this educational work that you speak of? Do you think it would really be very successful?

Mr. BRINTON. I think that if you had the cotton stabilization corporation your membership in that State, instead of decreasing, would have increased and would have been a success, and not an organization going down hill.

Mr. LARSEN. But I am speaking now of the personnel that is handling this organization; a personnel that has organized an association of 47,000 members in a State and has not been able to hold it together, but has permitted it to dwindle and dwindle until in the course of four or five years it has dropped from 47,000 to about 4,000. Do you think that same personnel would be a very good medium to undertake to carry on this educational work that you advocate?

Mr. BRINTON. I am not familiar with that particular organization, but this is the principle I go on—

Mr. LARSEN (interposing). Well, assuming what I have stated to be correct—

Mr. BRINTON (interposing). The people who have carried on that educational work—

Mr. LARSEN (interposing). I would like to have an answer to my question before we leave that. If conditions exist, somewhat as I have stated, do you think it would be wise for the Government to use such agencies as that to do this educational work of which you speak?

Mr. BRINTON. I would think so. If the farm board reviewed their activity, put them on the right track, made them comply with the rules and regulations, I think their experience would be of great value in carrying on the educational work.

Mr. LARSEN. Do you think such men as that could be easily put on the right track to do effective work?

Mr. BRINTON. If the cooperative is developed, your inefficient man can not survive at the head of it.

Mr. LARSEN. I understood you to say that you would not encourage the creation of new cooperatives, but that you would use the facilities that they already had.

Mr. BRINTON. If the ones they now have are satisfactory; yes.

Mr. LARSEN. That is all.

Mr. KETCHAM. Mr. Brinton, the two problems that we have, that give us the greatest concern in trying to shape farm-relief legislation, are the question of surplus control and the question of the handling of seasonal surpluses.

Mr. BRINTON. Yes.

Mr. KETCHAM. Granted that your plan is set up as you have outlined it here, I want to direct your thoughts first to what we call seasonal surpluses. The records indicate that there is a fluctuation downward in the first four months of the market price of wheat and that generally, if there is a rise, the rise takes place in the last eight months. That is the general trend of markets.

Will you please tell us now, as briefly as you can, how your plan would operate to take out—

Mr. BRINTON (interposing). The humps?

Mr. KETCHAM. The humps in the general market level, and what the general result would be upon the market price for the whole year. I am interested from the farmers' viewpoint. I am interested in getting the last dollar possible back into his pocket.

Mr. BRINTON. Exactly. I will take last year as an example. Wheat dropped in price from \$1.70 to \$1.09 in Chicago.

Mr. KETCHAM. At what time of the year was that?

Mr. BRINTON. That was from May 1 to August 10, right at the time when our wheat was being dumped on the market. Everybody knows that wheat is worth more than \$1.09 in Chicago, and I will assume that possibly \$1.70 is too high. The stabilization corporation would enter the market at some time in the decline and start buying wheat, and your decline would stop. Everybody would use wheat just the same, and wheat would move just the same, but your price level would be higher by the establishment of a minimum level.

Mr. KETCHAM. And so far as the farmer is concerned, he was not assisted very much by the \$1.70 price, because his wheat had all gone out of his hands.

Mr. BRINTON. He was assisted practically none at all.

Mr. KETCHAM. What percentage of his wheat must have come out of his hands before that price rise came?

Mr. BRINTON. During that spring, in the Southwest, I would say 60 to 70 per cent.

Mr. KETCHAM. The figures I have compiled show that 62 per cent passes out of his hands before the 1st of November.

Mr. BRINTON. That is approximately correct.

Mr. KETCHAM. Coming back to this question: I think you have made it clear, then, that for that period the farmer would receive an enhanced price for his wheat over what he has received over a period of years, and to that extent the stabilization corporation would render him service.

Mr. BRINTON. That is right.

Mr. KETCHAM. In your opinion, would it require any considerable expenditure of money to accomplish that result, or would the fact that the stabilization corporation was ready there to do business accomplish the result that you want accomplished?

Mr. BRINTON. The psychological effect of the stabilization corporation being there and buying wheat, we will say, at \$1.40, would establish a \$1.40 price, and that is as low as it would go.

Mr. KETCHAM. Would many millions of dollars be required by the Federal Government to accomplish that purpose?

Mr. BRINTON. No; a very small amount.

Mr. KETCHAM. A very small amount?

Mr. BRINTON. Yes. I base that opinion on the practice in the grain exchange; when large buyers go on the market the price goes up 10 cents, and when they quit the market it goes down 10 cents. It is the psychological effect of the big fellow's operations.

Mr. KETCHAM. The figures that I have compiled indicate that \$25,000,000 to \$50,000,000 would come into the pockets of the farmers over and above what they have received if this sort of an arrangement could be consummated.

Mr. BRINTON. Exactly; without increasing the price of bread.

Mr. KETCHAM. Because the price for the whole year would not materially change?

Mr. BRINTON. The wholesale and retail price of bread when wheat was \$2 a bushel in Kansas City was just the same as when it was \$1.10.

Mr. KETCHAM. Coming to the question of surplus control, granted that we had the set-up that you have described, not only for Nebraska but all over the United States, will you tell us in a word how the mechanics of it would operate, so far as preventing the development of a surplus is concerned? How would it operate in a situation where there was a surplus?

Mr. BRINTON. In entering the market in July and buying grain all over the country, they would send the orders out to the local cooperatives to buy. That would put everybody on the same level.

We have the months of July and August to ourselves in the export market. During that period they could buy low-grade wheat, segregate it, export it, and make a profit. By the time the first of January came along we would have our export wheat segregated and sold, and we would then start collecting the tariff according to the quality of the wheat required for domestic consumption.

There would be at least two months when the export market would be largely in our hands.

Mr. KETCHAM. Would that feature of the plan involve any great expenditure or require a large Government fund?

Mr. BRINTON. I do not think it would, for this reason: The stabilization corporation, once it got started, assuming that they had able men in charge of it, its commercial credit would be so large that its signature on a piece of paper would be all that would be required. Gran paper, warehouse paper, is the best paper the banks have.

Mr. KETCHAM. Going back to the proposition I began with, is it your judgment that there is any question about the fact that there is a seasonal dip in the early part of the market period?

Mr. BRINTON. We always have seasonal dips and seasonal rises.

Mr. KETCHAM. Generally speaking, when do they occur, in the early or late part of the market?

Mr. BRINTON. Generally speaking, the speculator goes on the bear side of the market when wheat is rushing in, and the two together put prices down. Generally speaking, the price level goes up when grain dealers have a volume on hand and they want higher prices, and then the speculator goes on that side of the market and helps to put the price up.

Mr. KETCHAM. There has been a general dispute about that and I wanted to get your judgment about how it actually operates in the market. That is all.

Mr. NELSON. As a new member of this committee, I am seeking information, and first of all I wish you would tell us who you are. This is not clear to me. How long have you been interested in this cooperative work?

Mr. BRINTON. Twenty years.

Mr. NELSON. Won't you briefly, in my time, tell us a little bit about what you have done in those 20 years?

Mr. BRINTON. My first activity in the cooperative movement was as a publisher in a small grain community, helping organize a farmers' elevator.

Mr. NELSON. Where was that?

Mr. BRINTON. In North Dakota.

Mr. NELSON. What point?

Mr. BRINTON. In the western part, at Beach, N. Dak.

Mr. NELSON. What town?

Mr. BRINTON. Beach. Then I went through the cooperative movement, and was sidetracked by the State-ownership movement, the nonpartisan league. I went through all that and found out that that was a fallacy. I do not claim that I have always been right. I have made lots of mistakes and have benefited by them.

I assisted in organizing what is now the Minnesota Wheat Growers Association. I have been in Nebraska for over two years.

Mr. NELSON. With what organization are you connected at this time?

Mr. BRINTON. I am connected with the Nebraska Wheat Growers organization, which is now going through a reorganization set-up.

Mr. NELSON. Is this organization actually in existence, or is it in the process of formation?

Mr. BRINTON. It exists. It was what we used to call the old wheat pool. It handled a very small volume and we got business people and large farmers in Nebraska interested in the proposition to create an organization like the Canadian Pool in Nebraska. We are using the Canadian set-up and the Canadian method of development, what they call minimum volume, which is 50 per cent of the wheat produced in the State.

Mr. NELSON. Then you are at present employed by that organization?

Mr. BRINTON. Yes.

Mr. NELSON. In what capacity?

Mr. BRINTON. Organization director. I have filed here, or will file with the committee, my credentials which authorize me to speak for them in all things on this subject.

Mr. NELSON. I am not asking these questions out of curiosity, but I am trying to get the background. Do you hold that the present tariff on wheat is sufficient?



Mr. BRINTON. Well, I think the wheat tariff level generally is sufficient, but I do not think it is applied correctly. I do not think it ought to be applied on poundage. I think it ought to be applied both on bushelage and quality.

Mr. NELSON. I will ask the question in a different way. Do you think the present tariff is effective? Is the farmer getting the benefit of the 42-cent tariff?

Mr. BRINTON. Just in a few isolated cases, so few that they are not worthy of mention.

Mr. NELSON. We have an exportable surplus of about 200,000,000 bushels I believe. What are you going to do with those 200,000,000 bushels so that it will not be reflected on the market in bringing about a lower price?

Mr. BRINTON. My thought is this, that during these two months, July and August—and part of September—the stabilization corporation will buy up the low-grade wheat because the miller will not want it, and segregate and export it on world levels at existing tariffs and profits that the grain men now collect.

Mr. NELSON. Has that ever been attempted?

Mr. BRINTON. The grain men are doing it every year.

Mr. NELSON. But not successfully, nor to any appreciable extent?

Mr. BRINTON. They made some pretty handsome profits. The Federal Trade Commission shows that terminal elevator companies made as high as 19 cents a bushel gross.

Mr. NELSON. But not to the ultimate benefit of the grower?

Mr. BRINTON. No.

Mr. NELSON. That is the point I am coming to.

Mr. BRINTON. Because the grower is throwing his wheat on the market at that time.

Mr. NELSON. You stated, I believe, that all our exportable wheat, with the possible exception of about 60,000,000 bushels of durum wheat, is low-grade wheat.

Mr. BRINTON. I would not say all, but it is low-grade as compared to the Canadian wheat. That is our nearest competitor outside the wall.

Mr. NELSON. That is what I want to get at. What do you mean by low-grade wheat? You put quite a different interpretation on low-grade wheat before. Do you mean wheat as compared with Canadian wheat?

Mr. BRINTON. Their production; yes.

Mr. NELSON. That was your testimony a while ago.

Mr. BRINTON. Well, not in detail. When I refer to low-grade wheat, I mean wheat that has been damaged, that has been burnt, stood in the shock, sprouted, or wheat of low-protein value, low protein percentage, which millers are not fighting to get, and there is no competition for in this country.

Mr. NELSON. Then, as one who has devoted 20 years to this question, you are willing to say to Europe, "We will only send you low-grade wheat, with the exception of 60,000,000 bushels of durum wheat."

Mr. BRINTON. No; I would not say that.

Mr. NELSON. That was your testimony a while ago.

Mr. BRINTON. As compared to the Canadian production which last year on Nos. 1, 2, and 3 averaged about 13 per cent protein. Our average on the Southwest probably is not 10½.

Mr. NELSON. I am glad to have that explanation of it, because I would regret to have the statement you made go out generally.

Mr. BRINTON. We do not collect a 42-cent tariff on 10½ per cent wheat, because the American miller would go across the line and pay 42 cents and get 13 per cent protein wheat. One per cent protein is worth at least 12½ cents, and I have seen a 25-cent differential for 1 per cent difference in grade.

Mr. NELSON. Referring to a question asked by Mr. Ketcham, how does the present price for wheat compare with what it was, we will say, last August?

Mr. BRINTON. The present price of wheat is 20 cents a bushell less than it was a year ago, and about the same as it was last August. Of course, I can not tell right to-day, because it may have gone up 10 cents to-day.

Mr. NELSON. So the line as indicated has not been followed in the last 12 months?

Mr. BRINTON. Well, we had 15-cent higher wheat about six weeks ago or two months ago.

Mr. NELSON. I am asking you to compare the present price with the price, say, last August. It is considerably lower, is it not?

Mr. BRINTON. I think it is about the low level of the marketing season now. I want to add to that, however, that we have not any gage to go by. Our price for wheat is based entirely on the mob psychology in the wheat pits. It goes up without reason and it goes down without reason, just because a group of people think this or think that. There is no gage. When it is down, there is nothing to bring it back. There is no element now to lift the market unless you have a threatened drought or a war.

Mr. NELSON. Do you feel that the Federal Government should attempt to curb speculation in the wheat pit?

Mr. BRINTON. In my opinion, the establishment of the stabilization corporation will be a sufficient remedy. I do not think anybody will gamble in wheat if your price stays dead. A man will not play poker if there are no openers. You have got to have an active market to bring the speculator in, because he wants to win, and if the market stays level, there is no chance of winning. Therefore, he will quit.

Mr. NELSON. That is all.

Mr. MENGES. Mr. Brinton, I understood you to say that we exported only low-grade wheat.

Mr. BRINTON. Proportionately. Our export is the low side of the grade, very low.

Mr. MENGES. What kind of wheat does Canada export?

Mr. BRINTON. They export about 80 per cent.

Mr. MENGES. What kind?

Mr. BRINTON. I would say their low-grade wheats are largely exported. They exported a very large amount of frosted wheat to China and Japan last year. They export their high grade, also.

Mr. MENGES. How can our American low-grade wheat compete with the high-grade wheat of Canada which is exported?

Mr. BRINTON. The foreign buyer buys our wheat of low grade to blend and mix with higher grade wheats and the Canadian wheat is

the best mill wheat in the world. It is a balance or a base wheat, and they mix with that Canadian wheat all types of wheat from all over the world.

Mr. MENGES. That is not answering my question. I asked you how it can compete in price with the high-grade wheat of Canada?

Mr. BRINTON. Assuming that we were in a free-trade market and there were no tariffs, the Canadians would receive a higher price for their wheat, which they are doing now, since they have had the Canadian cooperative operating because of the fact that the average run is of a higher grade.

Mr. MENGES. Then you think it is through the Canadian cooperatives that the Canadian producer is receiving a higher price for his wheat than the American cooperative?

Mr. BRINTON. I am tempted to say I do not think—I know; because our statistics show that before they had the Canadian cooperative the world buyers bought Canadian superior wheat at a discount under Minneapolis.

Mr. MENGES. You are in a cooperative organization, are you not?

Mr. BRINTON. Yes.

Mr. MENGES. Why is it that the American cooperatives, if they are so effective, do not manage this business so that we get the best price?

Mr. BRINTON. Because we have no large scale grain cooperative in the United States and they have the biggest grain company in the world operating under the Canadian plan in Canada. The little fellow can not make accomplishments like the big fellow.

Mr. MENGES. Then the American cooperatives are not as successful as you seemed to indicate they are.

Mr. BRINTON. In the United States in grain, no; in some other products, yes. I think the most marvelous commercial organizations in the world are the California Citrus Association and the Land O'Lakes organization of Minnesota.

Mr. CLARKE. How do you stand on the Dairymen's League?

Mr. BRINTON. I am not so familiar with them. I know something of the Twin City Milk Producers in Minneapolis.

Mr. MENGES. I have not used up all my time. I would like to ask one or two more questions.

What I was getting at is, if we are going to make the tariff effective—and I believe in that; I do not know whether you do or not. You do not seem to be scared very much on account of the surplus. You seem to be able to handle it. What I was trying to bring out was this: How can we compete with Canadian wheat, when they export only high-grade wheat?

Mr. BRINTON. I will try to make it very clear. We can not compete with Canada on export wheat, because their wheat is better than ours, and because we have to go into world markets. But on the wheat consumed in the United States, if the wheat were controlled, as steel and oil and other big concerns control their products, we could collect the tariff on every bushel according to the value or quality of the wheat; because we have to have 8 out of 10 bushels to eat in this country.

Mr. MENGES. Then you really believe in making the tariff effective, do you?

Mr. BRINTON. I am a McNary-Haugenite and have been since 1923, so I would not think that that question was necessary.

Mr. MENGES. I am glad to know that.

Mr. ADKINS. Speaking about the Canadian wheat pool, how long has that been running?

Mr. BRINTON. Since 1924, as a big concern.

Mr. ADKINS. The first one they had up there—this is a sort of a reorganization of that one, is it?

Mr. BRINTON. No; it is the California idea, which was taken up in 1923.

Mr. ADKINS. But they did start out of the Grain Growers—I forget the name—Grain Growers (Ltd.), or something like that?

Mr. BRINTON. The Saskatchewan Elevator Co. and the U. G. G.

Mr. ADKINS. And this is a sort of reorganization of that, is it?

Mr. BRINTON. No; I would not say that, because the former plan was not a control plan. The farmer pushed his wheat through any time he wanted to, and glutted the market.

Mr. ADKINS. It did not succeed?

Mr. BRINTON. It was a brokerage concern, and you can not control prices of a commodity through brokerage agencies. You have got to have absolute control.

Mr. ADKINS. Up to this time, in the Western Hemisphere, we do not know of any large nation-wide cooperative that has operated successfully for 10 years, do we?

Mr. BRINTON. Aside from the Canadian wheat organization; we have no large-scale grain cooperatives on the North American or South American Continent.

Mr. ADKINS. We have not had any that have lasted anywhere near that length of time. It is rather generally agreed among men that have made a study of this question that we are not able to say whether a cooperative is going to succeed unless it has survived a certain period of time—at least 10 years.

Mr. BRINTON. I would not say that necessarily. We know whether certain practices in grain are sound, because we have been in the grain business for years and years.

Mr. ADKINS. I have consulted some men that have devoted a great deal of time to this problem. Of course, we are all hoping that it will succeed, but they are not ready to give that system their approval until it has passed at least two depression market periods.

Mr. BRINTON. I do not have in mind any of the people in the cooperative movement in grain in this country, that take that opinion with you. I know of men in the grain business that do.

Mr. ADKINS. I talked to some men here in the department. One of them, I think, is a pretty good authority. He is very much interested in this and is watching it to see whether it can survive another depression or not.

With reference to the organization that you are talking about, is its membership made up of cooperatives, as units, instead of individual farmers?

Mr. BRINTON. It is made up of the producer, who, under the standard market laws that we have in some 40 States, must be a producer of the product handled before he can affiliate with the company.



Mr. ADKINS. In other words, something like the United States Grain Growers who started out on the idea of a dollar a throw, to get a fellow in? Is this membership made up in that way?

Mr. BRINTON. No. Our membership is made up on the Danish principle, contract pooling, which was transplanted to California on fruit, and transplanted from California to Canada on grain, and before that time we thought it was not possible to use it in a large prairie country. It is a definite plan; it is based on accomplishments and sound business practices.

Mr. ADKINS. What I was trying to get at is this: Is the organization that you are building an organization of stockholders' units of the cooperative company themselves, or the individual farmer? That is what I am trying to find out.

Mr. BRINTON. It is based on the local cooperative unit federated into a State unit which we hope to federate into a national stabilization corporation.

Mr. ADKINS. If the thing were in operation now, let us say on wheat, what would be the idea of this organization, taking market conditions as they have been since July? We have had very little fluctuation in the wheat market. What would be your idea now with reference to control to raise the general price level from where it is?

Mr. BRINTON. In my opinion, the price level would not have been this low if there had been a control of any large portion of our marketable wheat. Our price is low because the wheat has flowed into these markets before it was needed, and glutted them, so that the average man who wants wheat finds that there is plenty of it and there is no incentive to anybody to buy wheat. On top of that the speculator says there is too much wheat and he is on that side of the market, selling paper options, selling wheat that does not exist, and adding to the chaotic condition.

Mr. ADKINS. You think that that is the cause of the violent ups and downs?

Mr. BRINTON. There is no question about it.

Mr. ADKINS. From 1840 to 1860 we did not have any future markets, did we?

Mr. BRINTON. No; we did not have any General Motors or any big outstanding corporations either.

Mr. ADKINS. Our future trading was evolved in 1860. Take the crop of 1855 and 1866. In the month of July the market went from \$1 to \$1.55 and then in August from \$1 to \$1.10, about as violent fluctuations as you could have, although there was no speculative market. It is the hope, then, of this organization to stabilize and avoid those violent ups and downs is it? That is one of the things that you hope to accomplish?

Mr. BRINTON. There is a compound element in there. We do not object to future markets.

Mr. ADKINS. I understand.

Mr. BRINTON. We object to a man selling a commodity that does not exist anywhere in the world; which he does not own or control or represent.

Mr. ADKINS. You do not have the right to do that now.

Mr. BRINTON. Oh, yes; last May, the first part of the month, there were 260,000,000 bushels of wheat sold on the Chicago Board of

Trade, and there was not that much wheat on the North American continent, and there was no wheat being thrashed. The price broke 15 cents a bushel.

Mr. ADKINS. Here is what I am trying to get at. One of the objects of this organization would be to avoid that, would it not?

Mr. BRINTON. Exactly.

Mr. ADKINS. As a matter of fact, they do not have the right under the law now to sell something that does not exist, on any board of trade?

Mr. BRINTON. No; but they do it.

Mr. ADKINS. If you know that that is true, that would be very interesting to our grain exchanges and to some of our law enforcement officers.

Mr. BRINTON. The Government bulletins show that they sell hundreds of millions of bushels of wheat that do not exist; sell it short.

Mr. ADKINS. Our grain futures act is supposed to take care of that.

Mr. BRINTON. You are acquainted with the price levels in 1925, when we had around \$1.30 wheat and \$2.14 wheat in Chicago.

Mr. ADKINS. In 1925?

Mr. BRINTON. Yes; the most violent market we have had in recent years. They sold 16,500,000,000 bushels of wheat in Chicago alone that year; 16,500,000,000 bushels.

Mr. ADKINS. I agree with you, and I suppose there are a lot of them that are doing that, although if a man has a contract for future delivery, he can sell that as many times as he wants to, which may account for the great number of bushels sold. But the point I am trying to get at is whether or not it is your idea that with the stabilization corporation you will minimize those violent ups and downs in the market.

Mr. BRINTON. That is the first objective.

Mr. ADKINS. That is what I wanted to find out. One of the big accomplishments would be just that.

Mr. BRINTON. Exactly.

Mr. ADKINS. Have you any idea that you can raise the price of this commodity through the operation of your plan above the world's market?

Mr. BRINTON. On good quality wheat, yes.

Mr. ADKINS. That is all.

Mr. CLARKE. I am interested in getting your background; do I understand that you come from North Dakota?

Mr. BRINTON. North Dakota and 10 years in Minnesota prior to going to Nebraska.

Mr. CLARKE. You have been associated with former governor Townley up there on his experimental aids to agriculture, have you not?

Mr. BRINTON. I would not say governor; his authority exceeded that, I think.

Mr. CLARKE. He was really a superauthority on agricultural problems?

Mr. BRINTON. Yes.

Mr. CLARKE. That is all.

Mr. HOPE. Mr. Brinton, you have been talking about the high-grade and low-grade wheats; is it not true that most years we do not

have enough high-protein wheat in this country to supply our domestic market?

Mr. BRINTON. Unless they are smuggling wheat in from Canada very little wheat has come in since we have had the 42-cent tariff.

Mr. HOPE. But there is a demand, is there not, for all the high-protein wheat we can grow?

Mr. BRINTON. There is an acute demand for protein wheat, a very acute demand.

Mr. HOPE. Generally, it is not strong enough to bring in wheat over the 42-cent tariff wall, but still there is a home market for all of our high-protein wheat; is not that right?

Mr. BRINTON. The best illustration of that is, prior to the 42-cent tariff, when we had a 30-cent tariff and no control of wheat in Canada, that wheat up there, the year previous, was 17 cents lower than Minneapolis. They could afford to pay the 30-cent tariff and bring that wheat in. I think that we ran that year probably 20,000,000 bushels. But when the Canadian growers organized and found out what they had, and secured better prices, they could not afford to go up and pay the premium price in Canada, plus the tariff, and bring that wheat in. So importations of Canadian wheat stopped.

Mr. HOPE. As far as our export wheat is concerned, protein is not a factor at all, is it?

Mr. BRINTON. Not in export.

Mr. HOPE. There is no premium in the case of high-protein wheat.

In discussing your set-up awhile ago, I understood you to say you were going into the local communities where they had cooperative organizations already functioning and you were taking over those organizations as part of your State organization. Did I understand you correctly?

Mr. BRINTON. No; we do not take them over. We get them to agree to the new method.

Mr. HOPE. You go into a locality where there is a farmers' elevator already existing and you get the members of that organization to withdraw from the local organization?

Mr. BRINTON. No; there is no necessity for them to withdraw. The elevator is there for the service of weighing, grading, and shipping. What we do is to get in touch with the members of the board of directors and try to get them to see that the Canadian system is better than the system they have been using, and then when the board of directors agree on that we get some of them signed up and we take in the whole community.

In the district around Beatrice we have 13 farmer elevators, and out of the 13 there were 10 that went into our organization, and there are 3 that are still holding out, largely because they want to see what the farm board bill is going to be.

Mr. HOPE. In that case one individual belongs to both organizations?

Mr. BRINTON. Exactly.

Mr. HOPE. And they retain their local organization, as they had it theretofore?

Mr. BRINTON. Yes; it is just like belonging to a local lodge; you also belong to the national organization, automatically.

Mr. HOPE. There is not necessarily any conflict between the two organizations?

Mr. BRINTON. No; there is no conflict.

Mr. HOPE. You expect them to work together in harmony?

Mr. BRINTON. Exactly.

Mr. HOPE. Your idea is to have a stabilization organization to handle all kinds of grain?

Mr. BRINTON. Yes.

Mr. HOPE. Do you think there will be a time or times when that might cause some little difficulty because the different grains might be competing with each other?

Mr. BRINTON. I think if the time should arrive it is more important that they should be together. I have in mind departmentizing. You would have a corn department, a wheat department, a rye department, and so on. I do not think you should have two organizations with authority to go into the world and domestic markets and operate independent of one another. I think the strength of the stabilization corporation would be in the fact that it operated and controlled all grains.

Mr. HOPE. That perhaps is true. But what I had in mind was this. Do you not think that the producers of different kinds of grain might feel that they were in competition with each other and that they would not be satisfied to have one corporation handling different kinds of grain?

Mr. BRINTON. I do not think that situation would develop, because all the farmer elevators of America to-day are organized on the basis of handling all grain. We are not disturbing that psychological situation. It is the same as the regulation on warehouses and shipments, applied to grain generally.

Mr. HOPE. That is true; but your local farmers' elevator would hardly be a comparable case, it seems to me, because they do not pretend to do anything more than simply deal in grain. They do not attempt to stabilize the price or to hold the product for a better price, or to do any of the things that a stabilization corporation might do.

Of course, there is no competition in their organization between the different classes of grains, but it seems to me that might exist where you had a stabilization corporation handling all varieties of grain.

Mr. BRINTON. I think it would be very difficult at this time to set up a stabilization corporation owned by the producers if you segregated corn and wheat, for instance. That would mean two organizations in Nebraska and two in South Dakota, which would immediately be in conflict, and where you have a farmers' elevator they would need another one. I think that might develop later on, but if it does develop I think it should be left to the farm board to say what constitutes a commodity, rather than to Congress as a whole. That is a technical question.

Mr. HOPE. You do not think the present provisions of the so-called McNary bill ought to be followed?

Mr. BRINTON. I think the McNary bill is all right, except that it does not recite that there shall be one stabilization corporation for each commodity. Under that bill there might be 10 or more.



Mr. HOPE. You would prefer that we should leave it to the board to determine whether there should be different corporations for each commodity?

Mr. BRINTON. I think the bill should determine as to whether there should be one or more stabilization corporations in a commodity, but what constitutes a commodity is rather a technical question, and I think that should be left to the farm board.

Mr. HOPE. Would you be willing to leave that to the board?

Mr. BRINTON. Yes.

Mr. HOPE. If you should find that there was some rivalry between the already-existing organizations of local cooperatives and your organization, do you think there is any way by which the local cooperatives could work in harmony with a stabilization corporation without going into a State organization such as you have outlined?

Mr. BRINTON. My point is just this: I do not think a State bank, for instance, should come into the Federal reserve system until it complies with the rules and regulations of the Federal reserve system, and if they do, they are automatically working in harmony with the national banks, and they are two types of organization.

Mr. HOPE. Do you think it would be possible for a local cooperative to take stock in a stabilization corporation without working through the State organization?

Mr. BRINTON. I do not think the farm board should deal with a large number of local units. I think the stock should be owned by the regional or State cooperatives; that is, the State divisions.

Mr. HOPE. You do not think it would be practical to have the local cooperatives as members of the stabilization corporation?

Mr. BRINTON. It would be too confusing and would bring on too much grief here to Washington.

Mr. BRIGHAM. If I understood you correctly, the price of wheat was \$1.70 a bushel?

Mr. BRINTON. It was \$1.70, contract No. 2 at Chicago.

Mr. BRIGHAM. And that price dropped to \$1.09 in July?

Mr. BRINTON. On August 10.

Mr. BRIGHAM. What has been the highest price since that time for that grade of wheat?

Mr. BRINTON. The May option, which is the barometer now, went to \$1.34. I think it is about \$1.20 now.

Mr. BRIGHAM. If I understood you correctly, you said if the stabilization corporation had been in existence you would have had that corporation buying wheat at \$1.40?

Mr. BRINTON. I just used that as an illustration. I would not say what the price level ought to be; that would have to be under the law of supply and demand, crop conditions, prospects, and the tariff.

Mr. BRIGHAM. Under the conditions prevailing, assuming it had been \$1.40, and the stabilization corporation had offered to buy any wheat offered at that price, it would have been necessary, would it not, for the corporation to have offered to take any wheat at that figure?

Mr. BRINTON. If they bought a low quality of wheat, they would sell it on the world market, and the man who had the better quality of wheat would get a better price for it.

Mr. BRIGHAM. Say the price was \$1.40 on the grade we are talking about, and assuming that the board made such an offer, it would have

owned all the exported wheat under the conditions obtaining this year, would it not? That is, the export market never would have permitted the payment of \$1.40 per bushel for export wheat.

Mr. BRINTON. I do not assume that. My assumption is that Chicago controls prices. There is more grain bought and sold in Chicago than in all the rest of the world put together, every day, on the average day.

Mr. BRIGHAM. Does it control the export market?

Mr. BRINTON. I say there is more grain bought and sold in Chicago than in all the other grain markets in the world combined, and that, to my mind, answers the question. They are dominant.

In 1925 we had two groups of speculators who went into the Chicago market and bought, and the price went up, and Liverpool followed, and then when the price went down, the Liverpool price went down with it.

Mr. BRIGHAM. What year was that?

Mr. BRINTON. That was in 1925.

Mr. BRIGHAM. What was the condition of the world market?

Mr. BRINTON. There was no condition that warranted \$2 wheat, which meant \$2.30 in Liverpool.

Mr. BRIGHAM. You think the Chicago market would control the world market?

Mr. BRINTON. They created that situation, and I think an American stabilization grain corporation would be more powerful than the grain exchanges combined, dealing in the actual commodity, and with the Canadian Cooperative, the biggest grain company in the world, assisting.

Mr. BRIGHAM. Assuming that the stabilization corporation did fix the price so high at which it offered to pay for that wheat, including the export wheat, what would it do with that wheat?

Mr. BRINTON. That is not a very fair assumption, for this reason, that the stabilization corporation would not be operated by men who are not experienced in the grain business.

Mr. BRIGHAM. But assuming it did own it.

Mr. BRINTON. If it did, it would make a terrible mess. I do not want to assume that.

Mr. BRIGHAM. There would be a loss?

Mr. BRINTON. I think the Government, or the Government agencies, would select men of ability to handle such a proposition, just as they have done in other cases.

Mr. BRIGHAM. Assuming it did own the export volume of wheat; it would have to carry it over, would it not, to another year?

Mr. BRINTON. Yes; it might.

Mr. BRIGHAM. Or sell at a loss?

Mr. BRINTON. But you know we have never had a surplus in the world.

Mr. BRIGHAM. I would not quite agree with you on that.

Mr. BRINTON. I am quite positive on that.

Mr. BRIGHAM. You are familiar with the organization of the Canadian wheat pool?

Mr. BRINTON. Very familiar with it.

Mr. BRIGHAM. What function has the Dominion Government played in the formation of that organization?

Mr. BRINTON. Practically nothing, except it has given sympathetic help.

Mr. BRIGHAM. It has loaned them no money?

Mr. BRINTON. No.

Mr. BRIGHAM. But you would have our Government—

Mr. BRINTON (interposing). I would like to explain that answer. They have a different banking system in Canada. They had a bankers' association meeting and there were eight banks represented which agreed to finance the wheat pool. We could not get the bankers together in this country to finance the cooperatives.

Mr. HOUSTON. I was interested in your statement that the tariff on wheat should be based on poundage and quality, because that is the basis of the present tariff on sugar. Is it possible to so grade wheat in a practical way as to build such a tariff for wheat?

Mr. BRINTON. Yes, sir.

The CHAIRMAN. You are interested in cooperative marketing; are you speaking for the cooperative marketing people?

Mr. BRINTON. And the people in Nebraska, the farmers and business men, the farmers in the organization.

The CHAIRMAN. Do you claim to represent the farmers, or a farm organization?

Mr. BRINTON. Yes, sir; I do—over 13,000 of them.

The CHAIRMAN. I understood you to say that the farmers do not get the benefit of the tariff.

Mr. BRINTON. They do not.

The CHAIRMAN. Are you in favor of making it effective?

Mr. BRINTON. I am in favor of making it highly effective.

The CHAIRMAN. How do you propose to do that?

Mr. BRINTON. By controlling the commodity. The first step you have to take to control the prices—

The CHAIRMAN (interposing). You are in favor of the cooperatives determining the price level?

Mr. BRINTON. I am in favor of the producers of the products determining the price, generally.

The CHAIRMAN. I am speaking now of the cooperatives.

Mr. BRINTON. The producer can not do it individually. They must all be in an organization or be in an organized condition, and when the farmer is organized I want him organized on a commodity basis.

The CHAIRMAN. I understood you to say that \$1.25 a bushel for wheat should be satisfactory?

Mr. BRINTON. You misunderstood me.

The CHAIRMAN. What did you say?

Mr. BRINTON. I said a high price is as damaging as a low price.

The CHAIRMAN. What should the price be?

Mr. BRINTON. I am not in a position to know.

The CHAIRMAN. The cooperatives should know when it starts in, if we are going to leave it to it to determine.

Mr. BRINTON. No; because the price should be determined by experts who know all about world conditions and a lot of other things on which I am not posted.

The CHAIRMAN. You would leave it to the discretion of somebody, and you would use no yardstick?

Mr. BRINTON. You might as well—

The CHAIRMAN (interposing). You said you were in favor of the tariff.

Mr. BRINTON. Yes; on good wheat. I say, make the tariff 42 cents a bushel above the world price on good wheat.

The CHAIRMAN. Are you in favor of making it 42 cents above?

Mr. BRINTON. Yes.

The CHAIRMAN. Then, I understood you to say that \$1.25 a bushel was satisfactory.

Mr. BRINTON. No; that is a mistake; I did not say that.

The CHAIRMAN. What would the present price be if the tariff were made effective?

Mr. BRINTON. On high-grade wheat—

The CHAIRMAN (interposing). Leave that question of grade out.

Mr. BRINTON. But we have to have a value for determination.

The CHAIRMAN. We are speaking now of the American farmers. We do not need to discuss that. There is no difference in quality of the wheat and other grains grown in Canada and on the American side; there is just an imaginary line between them.

Mr. BRINTON. There is a lot of difference between damaged wheat and first-class wheat.

The CHAIRMAN. Are you in favor of making the tariff effective? You said you were. What is the price for wheat?

Mr. BRINTON. It would be \$1.20 plus 42 cents, which would make it \$1.62 in Chicago.

The CHAIRMAN. What is the price to-day?

Mr. BRINTON. It is \$1.20. That is for May wheat.

The CHAIRMAN. I mean in the United States.

Mr. BRINTON. That is based on Chicago.

The CHAIRMAN. You don't mean Minneapolis?

Mr. BRINTON. No; that is based on Chicago.

The CHAIRMAN. Then he should have 42 cents more than he is getting?

Mr. BRINTON. Exactly.

The CHAIRMAN. Have you in mind raising the price 42 cents a bushel?

Mr. BRINTON. Oh, yes.

The CHAIRMAN. Oh, well—

Mr. BRINTON (interposing). I am not advocating a tariff of 42 cents on scrub wheat.

The CHAIRMAN. You say on high-grade wheat. The high-grade growers would get the benefit of the tariff, but under your plan you would not give the benefit to others.

Mr. BRINTON. Under the plan I propose, the tariff would be collected on every bushel of good wheat produced.

The CHAIRMAN. Then you are going to leave out the other growers.

Mr. BRINTON. I would not want to put a premium on a man who has his wheat field full of smut.

The CHAIRMAN. That is for the Ways and Means Committee to determine. Are you in favor of making the tariff 42 cents effective?

Mr. BRINTON. Yes.

The CHAIRMAN. You would advance the price 42 cents?

Mr. BRINTON. Yes.

The CHAIRMAN. How are you going to do it?



Mr. BRINTON. Because the stabilization corporation would have the ability to control the price of all good-quality wheat in this country, and that is the only tariff you could expect to collect.

The CHAIRMAN. You are speaking about 10 per cent of the production. Do you not think the producers of the other 90 per cent of a lower grade are entitled to as much consideration as the farmers who produce the 10 per cent of a high protein content?

Mr. BRINTON. Proportionately; yes. I would not like to pay a man a premium price on hogs, who raises nothing but razorbacks.

The CHAIRMAN. My time is limited. Will you please confine yourself to the questions I am asking you?

Mr. BRINTON. I will.

The CHAIRMAN. You would treat them all alike?

Mr. BRINTON. I would treat them all alike.

The CHAIRMAN. And add to the prices of all of them 42 cents?

Mr. BRINTON. No; I would not do that.

The CHAIRMAN. Are you going to put your judgment against that of the Tariff Commission? Congress and the Tariff Commission have settled that questions. Its findings is that the producers of wheat are entitled to 42-cent tariff on wheat of all grades.

Mr. BRINTON. I will put my judgment against theirs to the extent of my own beliefs.

The CHAIRMAN. Let me give you some information. The Tariff Commission has investigated this question and they found that the producer in America was entitled to 42 cents more than producers on the Canadian side. Your judgment may be better than theirs, but let us deal with the facts as we have them. I suggest that you argue that out with the Tariff Commission.

Mr. BRINTON. I agree with the Tariff Commission on that statement.

The CHAIRMAN. Then you are in favor of making the tariff 42 cents on all wheat?

Mr. BRINTON. No; not on all wheat.

The CHAIRMAN. Let us find out about that.

Mr. BRINTON. I would not say that. It is not a sound statement to make. I would not make a fool of myself by saying I am in favor of a 42-cent tariff on low-grade, bin-burnt, smutty wheat.

The CHAIRMAN. We will confine ourselves to the question, and that is the finding of the Tariff Commission, which was that the farmer is entitled to a 42-cent tariff on wheat.

Mr. BRINTON. I am for that 42-cent tariff.

The CHAIRMAN. All along the line.

Mr. BRINTON. All along the line.

The CHAIRMAN. You have changed your mind.

Mr. BRINTON. No; I have not, Mr. Chairman. You are a very good cross-examiner.

The CHAIRMAN. Would you lift the price, then, to the American price level; that is, the world price plus 42 cents?

Mr. BRINTON. Quality considered.

The CHAIRMAN. Now you are changing your mind again. I would like to have you take one position.

Mr. BRINTON. I would not pay a 42-cent tariff on Canadian whisky if it was made in Iowa. I want quality considered always.

The CHAIRMAN. I suggest that you discuss the whisky question with another committee.

Mr. BRINTON. It is a public question.

The CHAIRMAN. How would you make the tariff effective at 42 cents?

Mr. BRINTON. The same way that every American corporation makes the tariff effective, with their commodity control that they have.

The CHAIRMAN. You said you had been at this for 20 years. How far have you made the tariff effective? What did you do for them?

Mr. BRINTON. I was very active for the McNary-Haugen bill ever since 1923.

The CHAIRMAN. You have said you have been engaged in this promotion for 20 years.

Mr. BRINTON. Not in promotion. I have been active in the co-operative movement.

The CHAIRMAN. How long?

Mr. BRINTON. Twenty years.

The CHAIRMAN. To what extent have you benefited the farmer?

Mr. BRINTON. Equally with the chairman of the committee.

The CHAIRMAN. You say you have been at it for 20 years. But they are getting nothing now.

Mr. BRINTON. About the same length of time as the chairman of the committee, and we have not had the proper kind of legislation. We have been trying to assist the farm groups, but we have not gotten very far.

The CHAIRMAN. You said they would all join. How many have joined up to this time?

Mr. BRINTON. They are joining every day.

The CHAIRMAN. That does not answer the question. How many have actually joined?

Mr. BRINTON. It would take a statistician to figure that out.

The CHAIRMAN. If you are not going to answer my questions, let us quit right now. It occurred to me that we might get that information.

Mr. LARSEN. Is this brief that Mr. Brinton has submitted to be printed in the record?

Mr. BRINTON. I have asked that it be put in the record. It is a very short brief.

Mr. FORT. Under the rules we have adopted that will be for the consideration of the program committee.

(Thereupon the committee took a recess until 1.30 o'clock p. m.)

#### AFTER RECESS

The CHAIRMAN. The first witness this afternoon will be Mr. Conn.

#### STATEMENT OF DONALD D. CONN, MANAGING DIRECTOR, ASSOCIATED CALIFORNIA FRUIT INDUSTRIES (INC.), SAN FRANCISCO, CALIF.

Mr. CONN. Mr. Chairman and gentlemen of the committee, I want to ask your permission to read this statement and then amplify it afterwards.

For the benefit of the committee I may say that I approach this problem from an active consideration of its various angles, reached over a period of 10 years, and the value of that experience to me and the soundness of my conclusions to you may best be measured by the committee if I touch upon the various phases of the problem which have passed under my direct observation.

In 1920, at the request of Chairman Sidney Anderson, of the Joint Commission of Agricultural Inquiry, I served in charge of research, field observation, and the relationship of transportation to agriculture. Immediately thereafter, as an officer of the American Railway Association, I was in particular charge of the relations between the carriers, as a whole in the country, and agriculture. At that time our task was to determine how the railroads might best assist in solving the problems of producers throughout growing areas of common interest and to encourage the objectives and functions of the different producer organizations.

Mr. KINCHELOE. Did you say you were acting in that capacity during the war?

Mr. CONN. No, sir; in 1922 and 1923.

As a part of this program, after consultation with the then Secretary of Commerce, the Regional Public Advisory Boards to the Car Service Division, of the American Railway Association, were established. There are now 14 such organizations, having a membership of approximately 18,000 leaders in agriculture, industry, and commerce. Their various committees are constantly concerned with the economic progress of the American farmer. In my experience in the organization and conduct of these public tribunals, the opportunity was afforded to study the problems affecting the farmer in each locality, and especial attention was given to the ever-growing perishable production, which industry, as a whole, is confronted with a serious depression.

At the request of producer organizations in California, I severed my active employment by the railroads in June, 1927, and accepted the responsibility of organizing a general program of rehabilitation for the California deciduous fruit industry. This task presented an opportunity to apply a new conception of the cooperative principle in agriculture to what was then, and is now, a most serious depression. At that time, I thought that whatever could be successfully applied to such an acute situation might thereafter be used beneficially by growers of perishables in every section of the country. Many others shared this view.

I therefore appear before you as the managing director of the Associated California Fruit Industries (Inc.), which is dealing with a problem involving 1,500,000 acres of deciduous fruit, in which there is invested three-quarters of a billion dollars in the lands, trees, and vines alone, and the combined purchasing power of which exceeds \$250,000,000 annually. At the present time, with the 1928 season behind us, the grower has not received sufficient return from the sale of his products to meet his interest, costs of operation, or to afford even a reasonable basis of livelihood. The causes of failure are clearly definable. The remedy is known. However, these same conditions apply in greater or less degree to the perishable industry, as a whole, and throughout all producing areas. Therefore, what I have to say is directed to the principles of Government cooperation

with the perishable producers, taken as a whole, throughout every section of the country, who ship 1,000,000 carloads of perishables annually and place almost an equivalent tonnage into by-products and other staple commodities. Manifestly, what applies in one instance can, in principle, be applicable in another.

Obviously, the first thing to do when confronted with an intricate task, such as presented itself in this new occupation, is to determine all of the facts and factors incident to the problem itself. Sound economic plans for the future must necessarily depend upon a knowledge of the conditions as they exist at present, and the potentialities of a given industry and the product itself. Fortunately, an exhaustive study of the western perishable problem had already been conducted by the United States Department of Commerce and a most complete analysis of the conditions within these industries had been published. In this report the then Secretary of Commerce pointed out the necessity for better and more comprehensive organization in the industry, which would make possible the practical application of the principles and the requirements of the situation indicated by him. In it is recognized that there must be an "authorization of collective action in producing sections, with a view to securing more orderly dispatch of perishables to terminal markets to the end that local gluts and famines, and reconsignments, should be avoided." Therefore, following the general plans suggested by this report, we entered upon a detailed determination of the applicability of these plans to the problem confronting us.

The Associated California Fruit Industries (Inc.) accepted the responsibility for one phase of this research, and the joint effort of the Federal and State departments of agriculture and the Federal Department of Commerce was directed to another phase of the problem; and because widespread depression had materially influenced the social, as well as the economic status in this area, the Metropolitan Life Insurance Co., having a large number of policy holders and interests in the industries involved, conducted the most thorough and detailed inquiry into every phase of production, distribution, potential demand, and the underlying form and theory of organization which should be established to meet the necessities of the problem. Their conclusions coincided with the recommendations previously made by the then Secretary of Commerce. Predicated upon these combined analyses, the Associated California Fruit Industries (Inc.) has adopted its program and is in the process of executing it.

#### THE PERISHABLE FIELD IN GENERAL

A brief background of the perishable problem in general is necessary to a complete understanding of the nature of future Government cooperation.

Certain areas of this country only are peculiarly adapted to the production of specific commodities. Other perishables, or semi-perishables, may be grown in nearly every area. For example, because of soil and climatic conditions, the production of pears predominates in Oregon, Washington, and California; the greatest volume of peaches originates in Georgia, Arkansas, and California; citrus is grown in Florida, Texas, Arizona, and California; fresh



prunes predominate in Idaho, Oregon, and Washington; apples in New York, Virginia, Oregon, Washington, and California, and yet this commodity, as you know, can be raised in almost any northern locality. The largest growing areas of northern potatoes are in Maine, Montana, Western Michigan, Wisconsin, Minnesota, Idaho, and California. In any one of these producing areas the interests of the growers of any one commodity are common. The products are usually ready for shipping or processing at the same time and the problem of organized marketing and distribution confronts all producers alike. The products of any one area naturally meet the competition of the same products shipped from other areas to common competitive markets. The principles of government cooperation which are sound and healthy for one grower in a producing area are equally proper when applied to his neighbor.

Many perishables enter public consumption in various forms, and in this respect there is no one panacea which will apply with equal effect to all commodities. For example: The problem of the potato grower is a strict out-and-out question of quality production and controlled distribution. Potatoes do not change their form before reaching the consumer. On the contrary, pears or peaches may be shipped to market in the fresh state, may be dried, or may be canned. In this instance, it is obviously necessary for producers to secure a control over the total supply of the product within a given producing area, in order to divide its volume into the various channels of consumption in the light of the world market in each. Otherwise, the translation of an oversupply into any one market creates a surplus for that market and may bring about shortage in another avenue of distribution. It is my opinion that such control can and should be obtained in every producing area by what we will term an "industry program" adopted by growers, wholly apart from the form of marketing which may be employed thereunder in reaching the consumer.

#### GOVERNMENT RELIEF

During the past five years we have talked so much about the farm problem and about relieving the farmer of something, that the average producer now expects that the Government is going to do something definite and tangible to place his position on a parity with other lines of industry.

From the standpoint of financial assistance, there is a clear line of demarkation between "relief" and "banking." Admittedly, Congress would not be called into special session if what they enacted did not extend to agricultural producers a measure of cooperation which they can not now secure from existing credit facilities. A technical banking proposition is one thing and agricultural relief is another. Again, there would be no need for a special session of the Congress called at such an early date in 1929, unless the benefits of your conclusions were applicable in a complete and practicable way to the crops of 1929. If the growers must wait until 1930, a program adopted by the next regular December session of the Congress would meet this need. Further, it has been recognized by the calling of this special session that Government cooperation must come now, as the only time to relieve the patient is

before he is dead, and this relief set out in principle by the Congress must be subject to such practical and immediate application that its benefits will really mean something during the 1929 season.

When the Congress enacts this legislation, the organization of the administrative features thereunder must be expedited to be effective. This, on the one hand, represents the obligation undertaken by the Government. On the other hand, there is an equal responsibility resting upon the producers themselves. It is not the function of the Government to enter a field of activity wherever it can, but rather only wherever it should to protect the public interests. Therefore, we must presuppose that the farmer and grower will accept their full responsibility in relation to the Government, in jointly achieving economic success in agriculture. Agriculture must stand upon its own feet and the American producer should not be permitted to put his hand into the Public Treasury or to expect a financial relief unless he is ready and willing to present an industry program which has a sound basis for success, and a competent business organization for its conduct. Farmers and growers in a given industry should be required to determine what their precise problems are, to select their leadership, and to present a program to the Federal Government which is sound and which the Government can consistently approve. The Government, or its agency created under the proposed legislation, can not be expected to afford necessary agricultural relief in support of diversified marketing units, which are in competition with one another within the various defined areas of production, while these units fail to recognize that their problem consists not only in marketing their respective quotas but in marketing these respective quotas in full consideration of the distribution of the entire production in that particular area. In making this statement, I am drawing the distinction outlined in the previous reports of the Department of Commerce and other investigations mentioned.

#### INDUSTRY PROGRAMS

The best security for Government financial assistance to the grower of perishable commodities is the knowledge and approval of the objectives to be reached and the method, organization and efficiency of management by which to bring about a more successful economic status. Whenever 75 per cent of the tonnage of a commodity grown in a given area of production has analyzed the problem of the industry as a whole, has adopted a program to meet the needs of the grower as a whole, and has established the machinery by which this program may be carried through, then the Government should assist in completing the project and make possible its execution. Simply as an example, we know that there is no potential overproduction of California deciduous fruit, provided it can be marketed under an industry program. Seventy-five per cent or more of the tonnage has, or will subscribe to such a program which is based upon extended and detailed analysis of the problem itself. Whenever such a preponderance of tonnage subscribes to a common program, the success of its plans should not be circumvented by the lack of cooperation from the small minority of producers which do not subscribe thereto.

Legislation covering interstate commerce, obviously and wisely was placed under the jurisdiction of the Congress. In fact, our Government is based upon the theory that the determination of matters of policy rests in the hands of a mere majority. Our tariffs and our construction programs follow this rule. When the majority votes, the law affects all alike. Therefore, not to permit 75 per cent or more of the producers of an agricultural commodity within a given area to adopt a policy under which the industry must be conducted, in order to be successful, represents a negation of the same principle which applies everywhere throughout the nation. Therefore, I recommend that the Congress impose by law that whenever a grower organization shows a satisfactory control of 75 per cent, or more, of the product within a given area, that the law compel other producers and distributors of the same commodity, in the same area, to subscribe to the industry program which has been initiated by even more than a majority and approved by the agency of the Government. Such a law is in harmony with an intelligent and progressive public policy.

When the interstate commerce act was originally passed, when the transportation act was passed in 1920, when the Federal reserve act was passed—all of these measures now hailed as forward steps—they were then considered as radical departures from habit and custom. It is proposed by the Congress to license the receivers and dealers in perishable commodities, and by all means this should be done by the special session. However, the same principles actuating the necessity of the proposed perishable licensing act apply with equal force and consideration to the producers themselves. There is absolutely no difference in principle or effect between the unethical distributor of a perishable commodity and the producers who, for selfish reasons, snipes away at a program adopted by the bulk of the industry and destroys its effectiveness.

An industry program under grower control must embrace all responsible factors of production and distribution. It may be developed and prosecuted by a grower organization which does not itself directly market the crop, but which may firmly control the policies of those who do. In this case the commercial shipper or processor becomes a contractual agency of a grower organization; or such an industry program may be equally developed by a cooperative marketing organization, providing this agency can secure the percentage of control necessary to dictate the policies and practices of distribution. If the cooperative marketing organization has no such control, or, if it be unwise for it alone to accept this responsibility, it is in its interest to join hands with other factors to make such a control effective. This, in effect, is the program which I believe must be followed by the perishable producers throughout the country.

Where 75 per cent or more of the growers of a commodity in a particular field have established an organization for carrying out their program using both commercial agencies and cooperative marketing agencies, such an organization is none the less a cooperative marketing institution. The grower, in his home, is the unit to be benefited and if the great bulk of the growers agree upon a program which is approved by the Government, objection can not fairly be made if they utilize existing responsible factors of distribution as they find them.



Laws passed by the Congress in the past have proven inadequate; otherwise, it would not meet here in special session. Whatever future progress cooperative marketing, as such, may make, the Government should encourage, but, at the same time, recognize the necessity of and compel the additional step of industry control. "Co-ordinated marketing" of the entire product within a given area by the producers utilizing as many types of marketing organizations as may be practicable to fit the particular need, is to-day the only sound solution for the orderly distribution of the product on its way to market, provided, always, price is reasonably controlled.

How can such Government cooperation be practically applied? In the first place, the law can provide that whenever a certain proportion of the farmers in a given State either individually or through their organization request the promulgation of a producing zone, that the Government, through its agency, will establish the geographical limitations of the zone and group the producers therein whose interests are common. Then the producers within the zone so established shall be entitled to such assistance as is to be given by the Federal Government, if and when upon their own initiative they have adopted an industry program to which 75 per cent or more of the tonnage of the particular commodity within the zone has concurred, and such program has been approved by the agency of the Government. At the same time, the Government must assure itself of the success of the program by compelling the adherence thereto by the small outstanding minority, in order that interstate commerce may be developed and protected in the general interest.

The Government can not extend a helping hand to a part of an industry within the zone of common interest and permit a small minority, with a selfish purpose, to destroy the effectiveness of that assistance. I am thinking of a certain grower in California who openly boasts that he will take complete advantage of the benefits of an industry program and, whenever orderly distribution is arranged to a given market, that he will absorb the benefits of that market, regardless of its effect upon the crops of his neighbor. Obviously, the Government can not indiscriminately loan money to individual growers or marketing units and, at the same time, do nothing to correct destructive and unregulated competition now existent in practically every perishable field. The lack of complete and coordinated distribution, which any sound industry program must be designed to bring about, piles up the product into glutted markets, is responsible for the wastes inherent in the present marketing system, reduces the availability of tons of perishable foodstuffs which should be purchased at reasonable prices by the public, and is reflected in a diminution of return to the grower and an added cost to the consumer.

It is a simple procedure to zone these areas of common interests among producers, to place the responsibility of coordinated marketing and the adoption of an industry program upon the producers in those zones and if the American farmer desires relief, he should come to the Government with his house in order and with a sound program and management to back up his contention. On the other hand, the Government can well afford to assist in every possible way, the organization of these industry programs under grower control. Us-



ally the adoption of such unified effort comes only as a result of acute depression, then the grower is without funds to determine the causes of failure, construct his program, and employ necessary management for his organization. Upon the recognition of conditions of this kind the Government could well afford to assist the grower membership in such an organized effort, and in formulating his industry program.

Furthermore, unless the Government does insist upon industry organization within the given zone and fails to protect the organization in the pursuit of its approved objectives, after it is established, then the loaning of money to agriculture takes the form of a mere subsidy, encourages an uncontrolled increase in production, and keeps the improvident farmer or grower in the business, without much prospect of loan repayment. The loaning of money without a definite plan of repayment is not sound business, and no program for repayment can be sound unless it takes into consideration a comprehensive plan of control within the industry itself. The Government can not be in the position only of showing the farmer how to go into debt. The Congress has now an opportunity to require real business organization in agriculture, along the same lines that industry has found so necessary and advantageous during the past years.

I wish to emphasize that what I have said in no way detracts from the principles of sound cooperative marketing. One of the largest and most efficient cooperative marketing associations in the country—the California Fruit Exchange—which ships 13,500 carloads of perishables annually, has, in its own interest, recognized the necessity of following an industry program, and is a member of our organization. It claims, and is entitled to claim, the benefits to its members of its own efficiency as a cooperative marketing organization, but it also recognizes that, successful as it is, it is inadequate to attain the additional benefits to its membership which are afforded only under a complete industry control.

Therefore, an organized and approved industry program embracing 75 per cent, or more, of the tonnage of a single commodity in a given zone of production presents a structure of organization and purpose to which the Government can compel adherence of the small outstanding minority and to which it can consistently lend its aid.

I am sorry that I had to ask you to bear with me while I read that statement.

MR. FORT. You did not cover in your general statement in detail the form of your organization or policy.

MR. CONN. No, sir; but I shall be very glad to do that.

MR. FORT. I think the committee would like to have that as a basis for questions. That is what we had in mind in asking Mr. Conn to appear. We want to get the particular form of the industrial control organization that they have set up. I think that should be given as a part of your general statement.

MR. CONN. We have a farm-grower membership. We have about 20,000 growers in our organization, and they join under this kind of membership, that the Associated California Fruit Industries, Inc., will control the disposition of their products, and will direct all their products into the various channels of consumption, either into the fresh market, the dried market, the canned market, by-products, or what not, and that this particular grower who seeks that member-

ship can not sell through or ship to any organization, shipper, commercial, cooperative or otherwise, that is not a member of what we call the clearinghouse of the association.

Then we get our market control through a contract between the association and the shipper, called the clearinghouse agreement, where the competition between shippers for the grower's crop is allowed to go up to a certain level. Beyond that the industry control takes its place, and the shipper has to abide by the grower organization recommendations and instructions, and just as long as the shipper does so, he remains in the clearinghouse; when he does not, he is out.

We have the right, under our form of contract, to divide the product one way or the other into these channels and to regulate the class and character of shipping agencies that will be permitted to deal in this perishable field, although we do not eliminate, as such, competition between those shippers for the grower's product. We have two or three cooperative marketing organizations that are members of the Associated California Fruit Industries (Inc.). We have so many commercial organizations; so many cash buyers, perhaps; and they all join in the same clearing-house contract, and they are all subject to the same industry-program rules.

As to our penalties to the grower, there is a definite penalty for sale or shipping outside one of these members of the clearing house. In fact, the penalty is so high that he does not ship outside. Then we have a penalty of \$100 a car against the shipper for every car that he ships in violation of an order of the association.

MR. PURNELL. What percentage of your membership belongs to the cooperative associations?

MR. CONN. The cooperative marketing associations?

MR. PURNELL. The producing associations.

MR. CONN. We have about an 85 per cent control in California in our organization.

MR. PURNELL. What is the status of your minority growers?

MR. CONN. Probably 10 per cent of them are very belligerent, having large independent acreages.

MR. PURNELL. Do you believe that any statute that we might pass would give the Federal Government, or any board, the constitutional right to compel that 15 per cent, or 25 per cent, as you suggest, to join any such organization as you are proposing?

MR. CONN. It is an innovation, but I think it is legal.

MR. PURNELL. It is quite an innovation.

MR. CONN. You propose in this session of Congress, as I understand it, to require that a man who receives that product at New York City shall have a Federal license and abide by certain rules. Now, here is the other fellow who produces it. The principle is identical.

MR. PURNELL. If this machinery is set up, the 25 per cent would be glad to get in without being forced, would they not?

MR. CONN. Not necessarily. I can give you an example. We had in California in 1924 one of the finest organized cooperative marketing organizations in the world, the Sun-Maid Raisin Association. The outside packers nibbled away at their tonnage by paying a little bit higher price than the Sun-Maid could afford to return to its

members for the reason that Sun-Maid was carrying an industry load of advertising and overhead costs, and slowly but surely, during each of these withdrawal periods, a few more growers went out all the time, until to-day Sun-Maid controls only 50 per cent instead of 94 per cent. Now, the economic effect of this one individual being able to destroy an entire program in the San Joaquin Valley of California has brought about the most acute social depression that we have ever seen in that State.

Now, Congress has a right to protect and foster interstate commerce. That is a certainty. They intend to do it with the so-called Summers-Borah bill so far as the receiving phase of the industry is concerned. There may be a technical difference there somewhere, but in practice there is no difference between doing it at New York and doing it at Fresno, Calif.

It seems to me, furthermore, that if you are going to loan money to an industry on thin collateral—because it must be thin as most of the farmers to-day in the perishable field have no collateral—the best security that you can have is the assurance that that money will be spent in an aggregate way by the whole industry, and will not be spent to build up part of it and have the other part of it come along and destroy it.

Mr. PURNELL. How does the price received by your 15 per cent compare with the price received by your 85 per cent?

Mr. CONN. Ordinarily, over a period of years, the price of the 15 per cent would be a little bit higher, because they have not absorbed their share of the industry cost. We have got an advertising campaign going on by the 85 per cent, and the 15 per cent do not have to subscribe to it. They have not got that cost. If they see a good market situation, and we are trying to keep that market in good shape—to stabilize it, so to speak—they can run right in there and break it down for the fellow who comes in the next day, and there is always a way that this small minority can secure a better price if they have an umbrella held over them by the 85 per cent.

Mr. PURNELL. It is comparable with the wheat pools?

Mr. CONN. Yes, sir; and while the suggestion that the Federal Government, in its prerogative with regard to interstate commerce, will protect that commerce if it is going to loan money to it, is an innovation, I think it is legal. It is a matter of public policy.

Mr. PURNELL. It presents a very interesting program and offers some suggestions for the committee to think of.

Mr. ASWELL. Am I correct in understanding you to say that the Federal Government should not take any action in any industry, or any commodity in it, until 75 per cent are brought in?

Mr. CONN. No; I do not say that. I am presenting what I think is a sound plan for the security of Federal money loaned to agriculture, namely, that if the growers in any one producing zone, where their interests are common, come to the agency of Government with a program, and the program is considered to be sound, then they are in a business position to request Federal assistance.

Mr. ASWELL. I agree with that myself.

Mr. CONN. I do not say that you should not loan any money to anybody unless that is done, but I do say it will be better if it is done.

Would you require to come under the same law if you were to loan money to a business?



Mr. ASWELL. What would you do in the case of cotton, where less than 10 per cent belongs to cooperatives? How would they ever get any aid from the Federal Government?

Mr. CONN. As I understand the situation in the cotton industry, there is nothing to hinder the adoption of industry programs on cotton in producing areas in which the cooperative marketing organization might be a partner with others.

Mr. ASWELL. But they do not represent more than 10 per cent. Would you take them in anyhow?

Mr. CONN. The California Fruit Exchange, which is a member of our organization, is a cooperative marketing organization. They represent 38 per cent of the deciduous tree fruits and 12 per cent of the grapes, but they are still a member of the industry program, along with commercial factors and others.

Mr. ASWELL. Then you would not require 75 per cent?

Mr. CONN. I would require 75 per cent control over the product, regardless of whether the product was in the hands of a cooperative marketing organization or some one else.

Mr. ASWELL. How would you get those people into the control?

Mr. CONN. I would sign them up on the same form of membership, in principle, that we have. We have 75 per cent now.

Mr. ASWELL. How would you go about signing them up? Would you appropriate money to organize them?

Mr. CONN. I think the Federal Government could very appropriately do that, as soon as they had a demand from a certain percentage of the growers in any one of these zones.

Mr. ASWELL. Would you wait until the demand came from the grower?

Mr. CONN. I think the obligation rests with the grower.

Mr. ASWELL. The board, then, should never take the initiative, in your opinion?

Mr. CONN. No, sir.

Mr. ASWELL. And if the demand did not come from the producers it would not do anything for them?

Mr. CONN. I am not quite clear in my own mind just what you can do for them if the farmer is not grounded in the practical knowledge of his own problem so that he knows what to ask you for. Now, there is no such thing as a farm problem in the abstract. Each one of these problems, by districts and commodities, is entirely different. There is no more relationship between cotton and California fruit than there is between coal and lumber, in the problem of production, distribution, or anything else; and yet they are both farm problems.

Now, when the growers in any locality, any one of these so-called producing zones which the Bureau of Agricultural Economics can easily set out in this country, upon their own initiative recognize the economics of the problem in front of them, and come to this Government with a definite plan and a definite form of management and organization that they want, then is the time, it seems to me, that the Government can properly assist them.

Mr. ASWELL. What percentage of the growers would be required to make that demand? You are setting forth an ideal situation, not a practical situation that we face on every hand. What percentage would you require to come under that ideal organization?



Mr. CONN. We have a very practical situation in California, and we have a 75 per cent control right now.

Mr. ASWELL. If you have a 75 per cent control, do you need the Federal Government's aid?

Mr. CONN. Very much.

Mr. ASWELL. The milk producers are here. They have 75 per cent and more, and they do not want to come in on this at all.

Mr. CONN. Well, they have had a very well-balanced situation compared with the fruit industry.

Mr. ASWELL. Why do you think they want to stay out and you want to come in, when you say you have got 75 per cent?

Mr. CONN. You mean, why do we want Federal aid?

Mr. ASWELL. Yes.

Mr. CONN. Because the growers have no money, they can not pay interest, and can not live, and until we can get credit to bring this industry back to a profitable basis we need some help.

Mr. ASWELL. What does it cost to be a member of your organization?

Mr. CONN. It costs the consumer half a cent a package on a 26-pound package of fruit. The trend of prices on California fruits—all fruits except citrus—in the last two or three years has been going down the toboggan as fast as it can.

Mr. ASWELL. Do you think that the business of the Raisin Corporation that you have just described was actually destroyed by the people who went on the outside, or was it destroyed probably by bad management and other things?

Mr. CONN. No; I think that the management of the Sun-Maid Raisin Association in the last five years has been as good as anybody could have given it. The problem has been tremendous. If mistakes were made, I do not think they were anything except human mistakes.

Mr. ASWELL. They are human, are they?

Mr. CONN. Yes; they are human. I think that the reason the Sun-Maid has dropped to 50 per cent is because of the constant withdrawals of the growers from that organization through the offering of higher prices here, there, and elsewhere by outside packers.

Mr. ASWELL. You present a very beautiful theory, but, speaking for myself, I doubt very much whether Congress would ever pass any legislation that would compel anybody to come into the organization. If you have 75 per cent, you are not in any very great need of help. That is the way the problem presents itself to me at this moment.

That is all.

Mr. KINCHELOE. Mr. Conn, is your association organized under the purview of the Capper-Volstead Act?

Mr. CONN. Yes, sir.

Mr. KINCHELOE. You are under that law?

Mr. CONN. Yes, sir.

Mr. KINCHELOE. Is there a surplus of deciduous fruits raised in this country?

Mr. CONN. Not if the deciduous fruits are handled under a program which can control and direct the translation of that fruit from the vine or from the tree into these three or four channels of consumption.

Mr. KINCHELOE. If it can properly go from the producer to the consumer, you think that all of it can be consumed in this country?

Mr. CONN. Absolutely.

Mr. KINCHELOE. Is your tariff on deciduous fruits sufficient, in the judgment of you gentlemen who have charge of it?

Mr. CONN. We are asking only for a tariff on cherries.

Mr. KINCHELOE. You do not have any now?

Mr. CONN. Yes, sir.

Mr. KINCHELOE. You are just asking for an increase in the tariff on cherries?

Mr. CONN. Yes, sir.

Mr. KINCHELOE. Outside of that, you think the tariff is sufficient?

Mr. CONN. Yes, sir.

Mr. KINCHELOE. I agree with you that what broke down the Sun-Maid Raisin Association is what, in my judgment, would absolutely destroy all the cooperatives. The only question in my mind about it is this: How are you going to get these fellows who never came in, or who quit, to come back?

Mr. CONN. I am trying to give an answer to that in this testimony. You have got a peculiar psychology with the American farmer that does not exist with many business men. It is perfectly natural for a man, if he sees an industry program perfected to 75 per cent, and if he thinks it is going to stabilize the market, to stay outside, and even if he puts his goods into that market and gets a certain price, and destroys it for the man who comes in the next day, he is perfectly contented.

Mr. KINCHELOE. What kind of legislation do you think Congress would be empowered to enact under the Constitution to make the 25 per cent that are out, and do not want to come in, come in?

Mr. CONN. Mr. Tenny, my vice president in California, is going to present that to you.

Mr. KINCHELOE. All right.

You said you did not see any difference in principle between the licensed shipper who receives the goods and the producer, so far as the law is concerned. I can see where there might be a difference, because those goods have gone through interstate commerce, over which Congress does have jurisdiction; but it would not have any jurisdiction over the sale of an individual farmer's product to his neighbor who is buying it; is not that true?

Mr. CONN. Under the Summers bill, as I understand it, if a man buys from a grower in California, or if a grower is a shipper himself, he is subject to that bill.

Mr. KINCHELOE. Of course, I am not talking about the Summers bill. There are a whole lot of things about that.

Mr. CONN. That is the only license bill that I have seen.

Mr. KINCHELOE. Would not the same principle apply if a labor zone were laid out in this country, and 75 per cent of the laborers went into the union; you could compel the other 25 per cent to go in, whether they wanted to or not?

Mr. CONN. Yes, sir; I presume it would.

Mr. KINCHELOE. Do you think Congress can do that?

Mr. CONN. I do not know.

Mr. KINCHELOE. Do you think—and if you do, in what way—that assistance from the Federal Government in the way of a loan on

stabilization corporations, or the improvement of the marketing system, or the storage system, or all, will induce the American farmer who is outside of these cooperatives to come back voluntarily and make it 75 per cent or more, as you say?

Mr. CONN. Well, it follows that if he can get Government money cheaper than he can get commercial money, and to get it he has to be a member of the cooperative, the chances are that it is an inducement. There is no question about that.

Mr. KINCHELOE. There is no question about their needing more money?

Mr. CONN. There is no question about that.

Mr. KINCHELOE. What percentage of the value of the crop do you pay the grower when he delivers it to your organization?

Mr. CONN. We do not actually, in our organization, handle the shipping of a pound of fruit. We handle the policies under which the shipper and the cooperative handle the fruit.

Mr. KINCHELOE. Do you think, as a practical proposition, and taking human nature into consideration, that you are going to get these growers to the extent of 75 per cent, who have been in before, or have never been in, to come into a cooperative, where you do not pay them 100 per cent down for their stuff, and where it will make it just as profitable for them to come as it would to stay out?

Mr. CONN. None of the cooperatives in the fruit business in California pay them anything down for their stuff.

Mr. KINCHELOE. Your position is a little different?

Mr. CONN. Yes. I think perhaps there is some confusion here. You can not compare the perishable situation with a staple agricultural commodity.

Mr. KINCHELOE. I understand that, but the principle remains the same; that they have to contribute toward the overhead of that organization.

Mr. CONN. Yes.

Mr. KINCHELOE. While the fellow on the outside not only gets the benefit of the increased price by reason of these other fellows coming in, but he gets his net and in cash?

Mr. CONN. Yes, sir.

Mr. KINCHELOE. Now, how could you solve that situation as a practical business proposition unless these cooperatives have sufficient capital in some way to pay the fellow who comes in all his money down; in other words, where he will get as much net out of his stuff as the man who stays out?

Mr. CONN. That has got to be done; but I assume you refer to the advances that you make to the grower prior to the time his fruit comes into actual consumption in the market?

Mr. KINCHELOE. Yes.

Mr. CONN. The cooperative has got to be in a position, manifestly, to give the same advances as a commercial factor.

Mr. KINCHELOE. That is a question that arises in solving this problem, and I have been trying to figure out how you are going to do that. You do not think this whole scheme that is contemplated in the way of stabilization organizations, and these loans to your cooperatives, and so forth, is ever going to be a success until you do build up at least 75 per cent, do you?

Mr. CONN. That is exactly what I have said. I think you have got to have an industry program in that zone that will control, not only the marketing of the fruit that comes from the cooperative alone, but the marketing of the aggregate tonnage that comes out of that territory.

Mr. KINCHELOE. To be frank, I doubt Congress having the power to compel an individual to come in. That is the whole crux of the situation in my mind, and I have been trying to figure it out for some time. First, how are you going to get 75 per cent or more unless the man who comes in is going to get the same advantages and the same net price for his product as the man who stays out? And when you solve that proposition, I think you have got this thing solved; that is, to that extent.

Do you think that if you increase the price of deciduous fruits in this country it is likely to increase the supply?

Mr. CONN. It could go a long way in California in increasing the price before we had any increase in supply. The grower is in so deep out there now that it will take him four or five years to pay out.

Mr. KINCHELOE. But, so far you are in the happy attitude that you are not raising a surplus in your country, under ideal conditions?

Mr. CONN. Not if it is marketed right; yes, sir.

Mr. KINCHELOE. That is all.

Mr. JONES. Mr. Conn, is a member of your cooperative organization permitted to sell any of his commodity in any other way than through a shipper who is a member of the exchange?

Mr. CONN. No; he is not.

Mr. JONES. He can not sell any of it in any other way?

Mr. CONN. In no other way.

Mr. JONES. Now, if you had your program enacted into law as you conceive it, a man who was on the outside could sell in no other way?

Mr. CONN. That is true.

Mr. JONES. In other words, he would have to go to one that is what you might call practically a licensed shipper—that is, a member of the shippers' exchange—or he could not sell?

Mr. CONN. That is it.

Mr. JONES. That is your theory?

Mr. CONN. But at the same time, understand, these shippers that are in the exchange, as you call it, or the clearing house, or what not, are all competitive for the grower's product, within certain limits.

Mr. JONES. I understand that. They are simply required to comply with certain rules in order to become members of the exchange?

Mr. CONN. That is it exactly.

Mr. JONES. And so long as they meet those conditions they can remain members of the exchange and therefore have a right to compete for your cooperative commodity?

Mr. CONN. That is it.

Mr. JONES. You would require all the others to adopt the same system?

Mr. CONN. I would.

Mr. JONES. That would work, of course, if it is legal to do it.

Mr. CONN. That is the point.



Mr. JONES. That is the big point?

Mr. CONN. Yes.

Mr. JONES. We had a man here just the other day, who, by the way, is connected with some fruit growers' exchange in Florida, and he wanted to clothe all these commodities with a public interest and make them in that way subject to regulation, just like gas, and so forth.

Mr. CONN. The biggest public profession in America is agriculture.

Mr. JONES. Well, that is very true; but the only theory on which we are able to control interstate commerce—that is, in the form of actual regulation—is to make a public interest proposition out of it?

Mr. CONN. Yes, sir.

Mr. JONES. Of course, if it is that kind of a proposition, it would undoubtedly be subject to regulation. I do not know whether we would have the right to do that or not. I know that in certain irrigation districts, if a majority of the farmers' vote to organize an irrigation district, for instance, in my State of Texas, the others are forced to put their land in and subject it to taxes, water rights, and so forth.

Mr. CONN. We have the same thing exactly in California.

Mr. JONES. And the same thing is true in a number of different States. I am sure that it might be worked out somehow in that fashion. I do not know whether the Congress is ready, as Doctor Aswell says, to go that far or not. They would not want to unless it were absolutely necessary to do it, I think, because there is a good deal of thought, and always has been, along the line that the individual should be allowed to sell his commodity wherever he chooses.

If that were true, then, you think that the loan system could be made safe?

Mr. CONN. Absolutely.

Mr. JONES. I am inclined to think it could be, and I am of the opinion that we would not favor a cooperative or anybody else making a loan on any other basis. If you make a loan to a man who is not entitled to it, you do him a disservice rather than a service.

Mr. CONN. Here is a thing to consider. I mentioned the California Fruit Exchange a little while ago. That is probably—as we think, naturally, in our organization—the finest cooperative marketing organization in the country; finely run and finely managed in every respect. Now, do you want to pass a bill here that is going to permit some speculator in Chicago to go out into Placer County in California or down into Texas and get some of these growers who owe him money and have owed him money for two or three years, to organize a cooperative that meets the law, and then undersell in competition with the California Fruit Exchange, and in addition to that, to come down here and dip their hands into the public Treasury?

Mr. JONES. The only way, it seems to me, to have a success is to provide some means whereby the cooperative will not have to carry the noncooperative on its shoulder.

Mr. CONN. It is an industry program; 75 per cent. You come right back to that every time.

Mr. JONES. That is a very interesting program that you have developed. That is all, Mr. Chairman.

Mr. KETCHAM. Mr. Conn, there are two questions that I want to ask you. I want you to take potatoes and illustrate the formation of what you call a producing zone.

Mr. CONN. Let us take the State of Idaho. I remember that when I was with the railroads we used to have a great many meetings with the people in Idaho. I do not think there would be any trouble whatever in organizing Idaho as one producing zone. Most of the potatoes are raised north of Ogden. And I think the growers would accept that immediately if they had the opportunity of requesting the department to designate them as a zone.

Now, as soon as this is done there goes with it the obligation of the growers meeting together and outlining what kind of a program they ought to have. Their representatives would come here to Washington before your Federal farm commission, or what not, and say, "Here is the program that we have for the distribution of Idaho potatoes. It involves standardization, quality, car supply, refrigeration, and everything." And the Federal agricultural commission are going to say, "Now, that is all right; we think that is a good program, but what are you going to do with the competition from Michigan and Wisconsin that you meet at Chicago?" They will have to deal with Michigan and Wisconsin, with North Dakota and Montana before they are through, and in that way you are going to regulate the distribution, within reasonable limits, of these competing areas into common markets.

Now, it seems to me to be a relatively simple thing; 75 per cent of the tonnage of potatoes grown could be signed on a simple contract, with a grower-controlled organization, for an industry program. That may involve the creation of a warehouse; it may involve loans for storage to them; but, nevertheless, there is a 5-year program, and they come to you and say, "We need money," and they come to you with a definite proposition and with management. It is a far different thing from having four or five organizations to deal with, and loaning one money and another money, and somebody else money, without any control at all over what the net result in the final analysis will be.

Mr. KETCHAM. I think that is clear. Let me illustrate with Michigan, with which, of course, you are very familiar, having made reference to the potato growers' organizations there. We do not consume those potatoes, of course, anywhere near our producing zone. In fact, a large part of our market for certified potatoes is in the South. Now, would the producing zone disturb the present marketing outlets that have been devised, or would it prohibit them?

Mr. CONN. Oh, no. All it means is this: If those people would band together and make contracts with shippers, like Moseley and the rest of them up there, they would make a contract under which he would work with the grower organization under certain specified rules. Then, if they needed money for production loans to the grower, for harvesting, for planting equipment, you are assured when you loan that money that you have an aggregate program to tie up with.

Mr. KETCHAM. I think that is clear. There is one other question that I want to ask you.

This year, of course, the great tragedy in the potato situation is overproduction. Suppose you were to come into a situation like

that, which, of course, you can not foresee. No planting program could be taken into consideration that would comprehend any such production as we had this year. It was very unusual.

Mr. LARSEN. You mean last year, 1928, do you not?

Mr. KETCHAM. Yes; this past year. What I had in mind was this: Suppose your organization, with this set-up all over the United States, had to meet that kind of a situation. What would it do? As I understand, potatoes can be graded and are generally graded for the market say in 1, 2, and 3 grades.

Mr. CONN. Yes.

Mr. KETCHAM. Would you give somebody, somewhere along the line, power to declare out of the market the lowest classes of potatoes?

Mr. CONN. I can best answer that by saying that after the 1st of October last year in California we left all of No. 2 grades of fruit on the vines and trees, and any one of these zones could do the same thing. A telegram between them could arrange a program.

Mr. KETCHAM. And you would have the power put somewhere to compel that sort of situation, would you?

Mr. CONN. No; I would not compel that. I would leave that to the business judgment of the organizations. It would be easy, if the management of an organization wanted to do it, he would have the control over his individual units to carry it out. That is what I wanted to get over.

Mr. KETCHAM. The great difficulty would be that the Michigan folks would be very anxious, then, to get rid of their No. 1, No. 2, and also as large a proportion of their No. 3 as they could.

Mr. CONN. That is right.

Mr. KETCHAM. And you would have to have some power somewhere to adjust these competitions existing between the various producing zones.

Mr. CONN. That power necessarily would have to come in the form of grower membership, made by the grower with his organization. So, if the manager of that organization had agreed with the Idaho big baked potato friend to cut out No. 2 potatoes, he could enforce it on his own membership.

Mr. KETCHAM. That agreement would then have to be worked out and submitted to the board at Washington as one of the elements under which any loans or any assistance might be given.

Mr. CONN. I think that is the thing that the board ought to consider currently through a season.

Mr. KETCHAM. That is all.

Mr. LARSEN. The same illustration that you gave Mr. Ketcham with reference to Irish potatoes would apply to the production of peaches in Georgia, California, and other places, would it not? Would it work out on the same basis?

Mr. CONN. Yes. I will tell you an experience that we had in our own work last year. We attempted to secure the cooperation of the Georgia peach people to control the inroads of peaches in carload lots into Chicago. We were running head on from California, from Arkansas, and from Georgia. We had secured the cooperation from Arkansas but not from Georgia. The result was that our peach price went just like that [illustrating going down] in Chicago. Everybody loaded them into Chicago every day.

Mr. LARSEN. Does your program contemplate that you will control the whole commodity? As I understood you, you would simply control 75 per cent of a commodity in a given area. For instance, you have got an organization of peach growers in California. When you control 75 per cent of the output in California, you would be recognized by the Government as entitled to credit and be in a position where you might function.

Mr. CONN. Let us assume that the Arkansas peach growers did the same thing.

Mr. LARSEN. What are you going to do with the Georgia situation?

Mr. CONN. They can do the same thing. We can tie the three of them together.

Mr. LARSEN. Suppose they do not see fit to do it, just as you say they did last year?

Mr. CONN. Then they are not entitled to Government assistance.

Mr. LARSEN. I know that they are not, but the trouble is that you in California and the people in Arkansas are entitled to it and get it, and yet do not get the benefit of it, because the people in another area, which is not in the territory over which you have any control, refuse to cooperate with you. What are you going to do in that kind of a situation?

Mr. CONN. The natural working out of a thing of that kind, where the Government restricts its assistance to growers and farmers who are willing to present an industrial program of control will be to bring Georgia in. It will be the natural working out of it.

Mr. LARSEN. You force under your control the 25 per cent minority in the territory where you are operating?

Mr. CONN. Yes.

Mr. LARSEN. What I want to know as a practical proposition is what you or the Government itself is going to do with the man down in Georgia who will not cooperate? He is not in your territory nor is he embraced within your 25 per cent minority.

Mr. CONN. Very true.

Mr. LARSEN. And yet he is a very great factor in the production of that particular commodity.

Mr. CONN. He will recognize, as soon as he knows he can not secure Government assistance unless he does present an industrial program, the desirability of coming in, and he will come in.

Mr. LARSEN. The final test will be the Government aid.

Mr. CONN. Government aid is the final test under proper restrictions.

That peach situation is the worst one you could have picked on. That is the worst one you could have asked me about in this country on perishables. If you would say pears, I could answer that much differently.

Mr. LARSEN. I happened to mention peaches because I am from a peach section. I mentioned it, however, only in a general way. I want to ask one other question. That is with regard to the man who is not embraced within your 75 per cent group, who belongs to the outside 25 per cent group that is unorganized. Under your present rules and regulations do you permit him to ship through your organization?

Mr. CONN. No, sir.

Mr. LARSEN. You will not permit it?



Mr. CONN. No, sir.

Mr. LARSEN. Under the plan that you suggest, however, if he refuses to come in, you would force him to ship through that same organization.

Mr. CONN. He would have to sign a membership and come in under the plan I suggest.

Mr. LARSEN. As I understood, you did not force him to sign that membership, provided you already had 75 per cent in your group, but what I understood in response to a question propounded, I believe, by Mr. Jones, was that you would force this disorganized element to ship through the same medium that you did?

Mr. CONN. No; he would not have to sign a membership and he would not necessarily have to ship through the same medium. He would have to ship under the same general regulations. He would have to support the industry program.

If we, for instance, were going to send a hundred cars of peaches out of California for the Chicago market to-day, his allotment would be so many peaches and he could not ship any more to Chicago.

Mr. LARSEN. Who fixes those rules and regulations, your organization?

Mr. CONN. Yes.

Mr. LARSEN. You would fix the regulations and he would have to come under those regulations?

Mr. CONN. Yes.

Mr. LARSEN. Would he have to pay the price you imposed on the members in your organization?

Mr. CONN. The fee?

Mr. LARSEN. Yes; the fee, or whatever you call it.

Mr. CONN. Yes; he would probably have to pay that.

Mr. LARSEN. You would force him to pay say half a cent on a 26-pound package, I believe you said, whether he was a member or not?

Mr. CONN. Yes.

Mr. LARSEN. How would you collect that?

Mr. CONN. We would have to collect it through the shipping agency through which he shipped.

Mr. LARSEN. What would become of that?

Mr. CONN. When the car of peaches was sold?

Mr. LARSEN. What would become of those fees that you collected?

Mr. CONN. That will go to sustain the organization for its trade promotion and the conduct of its work.

Mr. LARSEN. In other words, he would support the commodity organization whether he was a member of it or not?

Mr. CONN. That is it.

Mr. LARSEN. And there is your involuntary servitude?

Mr. CONN. Yes. If you lay out a million dollars in a year's time for advertising, you want him to support it.

Mr. LARSEN. It is an involuntary contribution, whether it is servitude or not.

Mr. CONN. Yes.

Mr. LARSEN. That is all.

Mr. FORT. Mr. Conn, your proposition differs from the clearing-house proposition that has previously been before us in that your

theory is a clearing house at the shipping point rather than the terminal market; is not that it?

Mr. CONN. At the outset, Mr. Fort, at the shipping point, and then the adoption of it at the terminal market later.

Mr. FORT. But you also differ from the other propositions that we have had in that your clearing house may have competitive members; in other words, they are not all cooperatives. The members of your clearing house may be some cooperatives; some independent shippers; some owners direct.

Mr. CONN. Yes, sir.

Mr. FORT. Is that correct?

Mr. CONN. Yes, sir.

Mr. FORT. So that you are not limiting your membership solely to members of cooperative associations?

Mr. CONN. No, sir.

Mr. FORT. Your purpose therefore, is to get control of the shipping of the commodity rather than the production?

Mr. CONN. Yes; exactly.

Mr. FORT. And that is what you mean by industry control, is it not?

Mr. CONN. Yes, sir.

Mr. FORT. You referred to the Summers-Borah bill—that bill proposes to license the shippers and receivers provided the shippers ship in carload lots or more?

Mr. CONN. Yes.

Mr. FORT. And not to permit any man to ship or receive in interstate commerce in carload lots or more, unless he is licensed?

Mr. CONN. Yes, sir.

Mr. FORT. Your idea is to extend that down so that the carload-lot limit is out, and nobody would be allowed to ship or receive in interstate commerce unless he holds a Federal license; is that it?

Mr. CONN. Every shipper must be licensed.

Mr. FORT. You also want to establish the principle of the Summers-Borah bill—I can go with you as far as that bill goes, but not to this further point—you also want to establish provisions so that licenses may be revoked for what you call unethical conduct, as well as for frauds? The present Summers-Borah bill looks to the revocation of a shipper's or receiver's license only in the event that he is guilty of some substantial fraud. You want to make that licensing provision also a weapon for controlling trade practice?

Mr. CONN. Yes, sir.

Mr. FORT. I suppose if it is legal in one case, it probably is in the other.

Mr. CONN. That is my contention.

Mr. FORT. But I think it is an interference with American individualism.

You have also talked about limiting this thing to producing zones. You do not mean by that to limit the territory in which any commodity can be produced but simply to take existing zones of production and define that those are logical combined shipping points, is that it?

Mr. CONN. That is it. If I may illustrate, take pears. Your logical zone for pears—one zone for pears would be the States of

California, Oregon, and Washington, for the reason that pears come in at the same time—they go to canneries in both States; pears go from Oregon to California canneries and from California to Oregon canneries, and they are shipped into the eastern market in competition with each other. There is a logical single zone involving three States, in that instance.

Mr. FORT. To get to the line Mr. Larsen was questioning you on, and also Mr. Ketcham, are you going to be able to work out any kind of an industry control in a commodity unless your organization, after you have set up these producing-zone organizations, be also nationalized?

Mr. CONN. Yes; I think so, because if it is spread out far enough, I mean if various localities interested in the same commodity would set up the same kind of an organized unit, those units themselves will get together in a national program.

Mr. FORT. But until they have gotten together you can not really control anything?

Mr. CONN. No; you can not completely.

Mr. FORT. So that logically does not your whole program lead up to a national organization of perishable commodities?

Mr. CONN. Yes.

Mr. FORT. And for the carrying of this same principle into effect, you want to force the individual shipper to join some given clearing-house group, such as your own?

Mr. CONN. Like a clearing-house group at Chicago, for example?

Mr. FORT. No; I mean a clearing-house group from California. If Texas and California, for instance, both ship citrus fruit into Chicago simultaneously and in the same quantity, each absorbing the whole market, your whole scheme goes flat.

Mr. CONN. That is true.

Mr. FORT. Haven't you got to have some provision in here somewhere for a national control as well as a local control?

Mr. CONN. Yes; as between districts, I think you do eventually.

Mr. FORT. That, of course, I think you will concede would have to be voluntary.

Mr. CONN. I do. I believe it should be and I believe it will come automatically, if you set up the individual producing units.

Mr. FORT. In regard to the tariff, you say the tariff is satisfactory in all of your commodities; is it?

Mr. CONN. Everything except cherries.

Mr. FORT. It may be off the subject, but I want to get your opinion on something. In those groups of perishable commodities where there is an importation into this country in any quantity, is or is not that disturbing to a scientific distribution within the United States?

Mr. CONN. Generally, outside of specific isolated instances, I would not say so. I think our perishable problem in this country is largely a domestic problem.

Mr. FORT. Would you include potatoes in that?

Mr. CONN. No.

Mr. FORT. You have spoken of the breakdown of the cooperatives through trade buying outside—the breakdown of the Sun Maid Raisin Cooperative, for example. Do you know of anything that can possibly be controlling under any system?

Mr. CONN. Only the one I have suggested.

Mr. FORT. Only by denying the right to ship?

Mr. CONN. Yes.

Mr. FORT. Do you think there is any way in which it could possibly be achieved by bringing the industries interested in the commodity into cooperation with the shippers?

Mr. CONN. Let me see just what you mean.

Mr. FORT. Take, for example, Mr. Kincheloe's commodity of tobacco. If coordination could be produced between the tobacco buyers and the tobacco cooperatives that would be solved, would it not?

Mr. CONN. Yes; in other words, if the buyer would buy from the cooperative, it would be solved automatically.

Mr. FORT. Is not that a legitimate field for us to consider in the preparation of this legislation?

Mr. CONN. I think so; very.

Mr. FORT. The creation of coordination between industry and agriculture.

Mr. CONN. Yes.

Mr. FORT. That is all.

Mr. MENGES. Mr. Conn, have you in California at this time an organization of cooperatives so well united that you would be willing to come to the Government and ask for a loan to assist you in the handling of your product?

Mr. CONN. We have no such organization of cooperatives. We have one organization known as the Associated California Fruit Industries that is so organized now that it can present the program that I have spoken of and present our objectives and our plans, and we feel that we are in that position.

Mr. MENGES. And you could assure the Government that there would not be anything lost to the Government in handling your products?

Mr. CONN. If they would do what I ask them to do in this memorandum.

Mr. MENGES. If they would all acquiesce in your ideas, then the thing would go, would it?

Mr. CONN. In other words, if you would give an industry that now has 75 per cent control the additional leverage of compelling people who are in the 25 per cent on the outside to abide by the rules and regulations employed by the bulk of the industry, we would give you an assured collateral for a loan.

Mr. MENGES. And pay it back?

Mr. CONN. And pay it back.

Mr. MENGES. If I understand you correctly, you say that you have about 75 per cent of the producers in your organization?

Mr. CONN. Yes.

Mr. MENGES. Will you tell me from where comes the competition that prevents you from securing the prices that will make your industry a paying one?

Mr. CONN. In the 25 per cent.

Mr. MENGES. They are strong enough to unhorse you, are they?

Mr. CONN. Let me give you a concrete example: Let us assume to-day that in the New York market on the auction there are 10 carloads of peaches. Those 10 carloads of peaches are worth \$3 a lot as long as there are only 10 there. Let us put two more in there and your surplus is just two cars and that will bring the price down



to \$2. The surplus in the perishable agricultural field is a question of distribution control to the markets and quality and 25 per cent of the tonnage of a given perishable commodity in the State of California could wreck the market for the 75 per cent.

Mr. MENGES. I see that. Then you are inclined to think that cooperatives alone can not handle this proposition?

Mr. CONN. Cooperatives alone, unless they control the volume of the business in that area, so that they are able to dictate the policies of trade practices and distribution can not alone do the job.

Mr. MENGES. We had people before this committee who told us that they can. I just wanted to get your idea.

Mr. CONN. Mr. Chairman, may I make one position clear? In the food and vegetable business the distinction between a cash buyer in the field of origin, in the field of production, and a consignment shipper, a commercial shipper, and a cooperative marketing agency—the distinction between the three is in the method of securing the crop from the grower. After the crop is loaded on the cars in the State of California, those three types of agencies all employ every marketing method. Our problem is not one out in California alone. It is the relationship between the supply of so many cars of peaches on the Chicago market versus the demand to-day, and unless the cooperative marketing organization can control that supply on the Chicago market, it is in the same relationship to the grower as the cash buyer or the consignment house, or what not.

Mr. MENGES. The cooperatives, then, do not cure it?

Mr. CONN. The proper kind of cooperatives will cure it, but that proper kind of cooperation must presuppose an industry program within a given area of the same commodity.

Mr. MENGES. That is all.

Mr. ANDRESEN. Referring again to potatoes, in 1928 we apparently produced a surplus of potatoes, a very large potato crop. Out in Minnesota our potato farmers received from 15 to 17 cents a bushel. The leading restaurants and hotels throughout the country, including Washington, sold those potatoes to their customers at the rate of from \$24 to \$42 a bushel. How would your system work out as to those potatoes?

Mr. CONN. I will answer that question in this way. I sat in the dining room of the Ambassador Hotel in New York the other day and I paid \$1 for an Idaho baked potato, that the producer probably got a penny for.

Mr. ANDRESEN. How much did that potato weigh?

Mr. CONN. I do not know. The thing was that long [indicating], whatever it is. I just kidded myself, perhaps, but I believe that 85 per cent of that dollar was spent for the gold lamps around the room, and the service, and the bell boys in short trousers. I think it is the service demanded by the American public that is running the cost up.

The housewife to-day instead of going to market to buy her yeast cakes, telephones for her yeast cakes. We have in this country to-day a grocery store for every three hundred people, and we are duplicating the services of the distributing market after the car of perishables arrives at the market.

You can to-day haul a carload of watermelons from Georgia and pay the freight on it and pay the grower for it and take it

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You can to-day haul a carload of watermelons from Georgia and pay the freight on it and pay the grower for it and take it

up to Jersey City for less than you can haul it from Jersey City and put it into the retail store in Manhattan. That is a problem and a real problem. But I content that the first cure, the primary cure in this terminal-market situation and eliminating this waste in the market is a proper-control industry program of producers at the point of production. Once you get that you can go into this market, you having control, you can own your own auction, if you want to, you can deal with your own retail agencies and with your own wholesalers.

To-day, we are in a position in California where the funds of money that reach the grower through speculative agencies at a market solely for the purpose of controlling the volume to auctions and the turn-over profit, is the thing that takes control of distribution entirely out of the hands of the producer. There is no greater group of people, producers, in the country to-day that are subject to excessive speculation as the perishable producer, because of the very nature of his product.

Mr. ANDRESEN. I am sure that the potato producer would have no objection to the hotel man receiving \$40 per bushel for the potatoes, provided that he would get \$2 a bushel.

Mr. CONN. I quite agree with you.

Mr. ANDRESEN. That is all.

Mr. ADKINS. You have nothing to do with the machinery of distribution after you dispose of your carload lot—that is, your organization?

Mr. CONN. No; we stop at the market.

Mr. ADKINS. All this other machinery is added and you have no control over it?

Mr. CONN. That is right.

Mr. ADKINS. So far as the high-priced potato at the Ambassador Hotel is concerned, or any other institution that has a lot of fancy trappings, that does not have very much to do with what the average consumer pays and the conditions under which the product is delivered to him, does it?

Mr. CONN. No.

Mr. ADKINS. So that if the fellow wants to enjoy the luxury of a place like that, with high-priced service, and so forth, that is not a problem of the farmer's, is it?

Mr. CONN. No. I mentioned the hotel because the Congressman asked me about the hotel situation, that was all.

Mr. ADKINS. That is all.

Mr. CLARKE. Have you had any advice on the constitutionality of your program?

Mr. CONN. No, sir. We have talked to counsel about it, if that is the advice you mean; no Government advice.

Mr. CLARKE. How much has your production of perishables in California increased from 1920 to 1928?

Mr. CONN. One hundred and four per cent.

Mr. CLARKE. One hundred and four per cent?

Mr. CONN. Yes.

Mr. CLARKE. We, in the State of New York, for instance, under the tubercular test of our cattle, have the right, where we go in and they are willing to turn their cattle over by townships or areas and a certain percentage have agreed to submit to the test, because it is



a matter of public health, and therefore in the public interest, we have the right to force them all in. I would like to have you develop a little bit the analogy of your proposition to that, if there be any, anywhere along the line.

Mr. CONN. I would prefer, if you will let me, to have Mr. Tenny do that.

Mr. CLARKE. Is he your constitutional adviser?

Mr. CONN. He is going to be on this question.

Mr. CLARKE. That is all.

Mr. BRIGHAM. You spoke of the difficulty of the raisin growers in California. I have here the Yearbook of the Department of Agriculture, and I note that your production of raisin grapes has increased greatly since 1921. That is, the production for 1919, 1920, and 1921 fluctuated around 700,000 tons. In 1926 it went up to 1,317,000 tons, and in 1927 to 1,443,000 tons. That increase has been much greater than the increase of population. Has that caused some of the difficulties of your raisin growers?

Mr. CONN. Unquestionably it caused the lowering of the general price level and psychologically caused the dissatisfaction unquestionably on the part of some growers, and their withdrawal. They were easy prey, so to speak, for the outside packer when they did that. The price of raisins went up in 1920 and 1921 from 6 cents a pound to the grower to 16 and 20 cents to the grower. It was a perfectly human thing that happened. That is, there were bankers and butcher-shop keepers and dentists and lawyers that all went into the raisin business. We have the results of that now.

Mr. BRIGHAM. Suppose you had commodity control in the raisin-producing industry so that you could fix the price to the public on the basis of what you would consider to be a fair cost of production plus a profit, but the public refused to buy all your raisins at that price. What would you do with the balance?

Mr. CONN. You would probably make by-products out of the balance, hog feed, alcohol, and a lot of other commodities that can be made out of it. We have developed in California a sirup that can be made out of raisins that will take the place of yeast and sugar in bread making.

Mr. BRIGHAM. There would be a loss, I assume, in making raisins into these by-products?

Mr. CONN. The by-products could be anything, except there would be a loss on the alcohol, but on any of the other by-products, the ones we have developed, there would be a profit.

Mr. BRIGHAM. If there were a profit now, I assume that you would use that outlet.

Mr. CONN. We will use that outlet just as soon as we can secure the assistance we need to go in there and divert a portion of that tonnage.

Mr. BRIGHAM. A witness who appeared here last week said that there were 100,000,000 bushels of surplus potatoes in the country this last year, and there was no method by which they could be made into by-products. There was no remedy short of destruction of a portion of the crop. How would you hold 100,000,000 bushels of potatoes off the market if you had a national organization?

Mr. CONN. I do not think you could do anything except discourage your acreage and leave your potatoes on their vines. My theory of

that proposition is if a grower can ship two cars of fruit and make \$2 a package, he is much better off doing that than shipping three cars and only getting \$1 a package, because he has saved his picking and his harvesting on the extra car.

Mr. BRIGHAM. But you would have to have some sort of national pool, would you not?

Mr. CONN. You would have to have some kind of relationship between these unit districts on potatoes that would meet in the summer and outline a program that they would be followed in each territory.

Mr. BRIGHAM. Obviously some districts would not hold their crop off the market and let other sections ship, unless they received some compensation for it.

Mr. CONN. You would control that situation in each district—control over the grower in each district can be brought about by your membership contract in this industry program.

Mr. BRIGHAM. In order to be fair, you would have to prorate the price for potatoes used for human food over the whole United States.

Mr. CONN. I do not think I would go that far.

Mr. BRIGHAM. Do you not think you must go that far in order to present a logical program?

Mr. CONN. The difference in the quality from each district and the difference in their package and a lot of other things would create a difference in price.

Mr. BRIGHAM. But if the Government is going to withhold the right to ship to any section of the country, obviously the Government should insure to that section of the country a fair price for its potatoes or a price equal to that received by growers for similar quality in similar relation to the market in other sections.

Mr. CONN. Our growers in California can do their own withholding voluntarily. You know what I mean. They would be willing to take their chances on the price and the return they would get on the balance of the crop.

Mr. BRIGHAM. How would it be with a crop of national proportions like potatoes?

The CHAIRMAN. I understood you to say that a pool is absolutely necessary to work out your plan successfully?

Mr. CONN. Yes; I think you must have the grower and the producer together.

The CHAIRMAN. In any kind of a cooperative arrangement the members of the cooperative would pay the cost and the nonmembers would reap the profits?

Mr. CONN. That is my opinion.

The CHAIRMAN. If you were able to raise the price at your own expense those on the outside would reap the benefits, because they would be able to sell at a higher price than you would.

Mr. CONN. Yes.

The CHAIRMAN. You have had a good deal of practical experience in these matters, and you know what you are talking about, so we are very glad to have this information from you.

There is a good deal of it being handled by truck. Would you limit it to carload shipments?

Mr. CONN. We have that situation in California. We do not care anything about fruits delivered to San Francisco by truck.

The CHAIRMAN. You are in a different position out there from that of most of us. For instance, take the livestock in our country; most of it is marketed by truck, and that is also true of the grain.

Mr. CONN. I would limit it to carload shipments, interstate carload shipments of perishables. I do not think I would exclude potatoes or wheat, if it is advisable, but I am speaking about the perishable problem.

The CHAIRMAN. Your suggestion is to have a 100 per cent licensing proposition and in that way reach all the producers?

Mr. CONN. That is it substantially.

The CHAIRMAN. That, in your opinion, would be a way out of it, rather than to license the overproducer?

Mr. CONN. It can be done either way.

Mr. LARSEN. In response to a question asked you by Mr. Clarke as to whether or not you had investigated the constitutionality of this proposition, I understood you to reply that your counsel had given you an opinion on it?

Mr. CONN. Yes.

Mr. LARSEN. You did not say what that opinion was. Would you mind stating what it was?

Mr. CONN. His opinion is that if this suggestion went to the United States Supreme Court, where he thought it would go very quickly, that it would be declared constitutional.

Mr. LARSEN. I want to ask you one other question under the head of production. You spoke of the limitations on production, and so forth. Had you considered the idea of limiting production after you once had a surplus in anything, with the authority lodged somewhere in the Government or elsewhere, whereby you could require permits for acreage production?

Mr. CONN. You mean licensing the producer?

Mr. LARSEN. Yes; requiring him to get through the departments of agriculture in the various States—who, of course, would be agencies of the Federal Government—acreage licenses for the production of any of these things.

Mr. CONN. We have often talked about that, and I am not sure that it is not a good plan.

Mr. LARSEN. Do you think it is possible?

Mr. CONN. You license real-estate operators to buy and sell real estate.

Mr. LARSEN. That question has occurred to my mind several times during the last few years, and I at one time introduced a bill with reference to the boll-weevil control of cotton in which I embodied that idea of licensing acreage production as a means of controlling production. Do you think it would be possible and practical?

Mr. CONN. Yes; I do.

Mr. KINCHELOE. Referring again to the matter of the illustration I asked you to give as to what you would have done in the case of the potato crop during the past year, you illustrated that by referring to what you did in California. What, in your judgment, taking the result of that operation, and comparing the total crop produced and the prospect of its sale, and what you actually did sell, and the net return you got from it—what would be the result?

Mr. CONN. Let us assume that on the 1st of October we could take off of the market one-third of the perishable crop of the State and

leave it on the trees or on the vines. That action, which is done, of course, in close cooperation with the Department of Agriculture, and as a result of the market news service every day—that action would result in giving fifteen or twenty million dollars more money to the growers in California, if spread out over two weeks.

Mr. KINCHELOE. And would save the grower—

Mr. CONN (interposing). The picking cost, the packing cost, and the freight.

Mr. KINCHELOE. And the net result would be greatly to his advantage.

Mr. CONN. It would mean millions of dollars by taking that action.

Mr. KINCHELOE. Do you have any difficulty in adjusting the distribution of that one-third among the individual growers?

Mr. CONN. No. Under our old form of contract which was in existence up to this last year we had plenty of difficulty. But now we have a contract under which we will not have this difficulty.

Mr. FORT. What is that contract?

Mr. CONN. The one I explained to you as the result of your first question.

Mr. FORT. Could you put a copy of that contract into the record, or leave it for the committee to determine whether it should go into the record?

Mr. CONN. Yes.

Mr. KINCHELOE. Do you not think, Mr. Conn, that if agriculture could be brought under the public-interest or public-welfare clause of the Constitution and at the same time you would have the power to limit acreage, it would be a good deal like a noted character in history, who, when he was going to be beheaded, and his head was about to fall under the head of the axe, said it was a sharp remedy but a sure cure?

Mr. CONN. Yes. I think you are on the verge of the adoption of what may be termed radical legislation, if you are going to help solve this problem, but which 10 years from to-day may be deemed to be very successful.

The CHAIRMAN. We will now hear Mr. Yoakum.

#### STATEMENT OF B. F. YOAKUM, NEW YORK, N. Y.

Mr. YOAKUM. I want to say, Mr. Chairman and gentlemen of the committee, that I am just recovering from a case of the flu. I have been South, but I have not fully recovered my strength from the attack of the disease. I am going to be brief, and I know that will please you.

I have been asked why, in this day of commercial advancement, when other industries are thoroughly organized with highly-protected marketing systems, should farming, the greatest of them all, be permitted to remain unorganized, helpless, with no control over the sale of its products or the only part of its business that brings in any money—selling.

You gentlemen understand, of course, that for over 20 years I have tried to study this problem, and therefore I have undertaken to analyze organization from every standpoint.

Farmers are intelligent, well informed, as able, as a whole, as any class in this country. They realize that conditions have changed en-



tirely, that nothing can be conducted successfully on the same lines it was 40 years ago. They have proven their superiority as producers. There is no doubt whatever that they would prove as successful in selling, if you will give them the same opportunity.

If Congress will enable them to establish commodity marketing organizations of their own, to create a real nation-wide farm marketing system, they can regulate production and sale and place their business on a sound and profitable basis.

I do not minimize the difficulty of organization. There are only 180,000 industrial factories, large and small, in the United States, concentrated mainly in limited areas. There are 6,000,000 farms, 6,000,000 soil factories, scattered through every State in this Union. The manufacturers' problem, in that respect, is simple compared with that of the farmer, which is before this committee.

I am going to say ordinary methods will not suffice. They fail to meet the situation. Some ready means of organizing on a large scale, some powerful incentive, must be provided to bring the farmers of America together for united action. Agriculture, as our President, Mr. Hoover, has pointed out, is not one but many different industries, incapable of the same organization. Agriculture really consists of 44 industries the products of which go upon our tables.

The wheat growers of the West and the cotton planters of the South are widely separated, have few interests in common; the potato growers in Maine or Minnesota have entirely different problems from the citrus fruit growers of Florida or California or Texas.

With 6,000,000 separate plants, producing over 80 different products, farmers as a whole have no common meeting ground in production. There is one field and one field alone in which they can be brought together on a broad scale, and that is marketing. Marketing, like farmer organization, can not be done by small groups or individuals. It must be done on a large scale to be successful. In small groups, the farmers are entirely at the mercy of the dealers, absolutely. No one board or agency can do it all. A Federal farm board can be of tremendous aid to agriculture. It can assist and render a great service in helping the farmers solve their problems. But the farmers do not want the Government to take charge of their affairs or go into the marketing business. They do not want the Federal Government to become a business partner, or in any way enter into business. They want to run their own business, and will do so, if the Government will give them an opportunity and a helping hand to start on sound, commercial lines.

Different commodities, as we all know, can not be handled or marketed in the same way. Each has its own peculiar problems and must have a system adapted to its own particular needs. Commodity organization is, therefore, the only practical basis for marketing. Farmer control, as all of us realize, is absolutely essential. Without it you could never bring the farmers together and could not retain their support and cooperation unless they are a part of the controlling power in this great industry.

Each standard farm commodity should, consequently, be organized as a separate, independent commercial unit, controlled and operated by its producers. Effective marketing requires centralized control. There must be some recognized authority, overlooking the

entire field, regulating distribution, directing sales, empowered to speak and act for the producers as a whole, a commodity marketing board, representing the entire commodity which it represents.

Operations extending over all this country and abroad can not be confined by State lines or be dependent upon local authority. Eighty per cent of farm products enter into interstate or foreign commerce. Commodity organizations should, therefore, be chartered or licensed by the Federal Government. The Federal farm board could be empowered to grant such charters or licenses.

I have had the privilege of speaking before your honorable committee on previous occasions, several times. Most of you are familiar with the essential elements of the plan I am outlining. In this plan I have undertaken, as I have said, for 20 years to find a final solution. The principles of it were embodied in the original Curtis-Aswell bill five years ago.

Basic principles do not change if they are sound and well founded. When you once get a well-founded principle, eventually it will work its way out in a substantial, practical manner.

For 20 years I have been studying this question; and this bill appears to be, as it did then, not only the best but the only permanent remedy. The fundamentals are the same. The plan I am outlining has been merely adapted to meet changing conditions, and it does meet them. It fulfills all requirements.

You want, I am sure, the clearest, simplest, most direct plan that can be devised, and I hope you will write this farm bill in plain language so that any farmer can understand it and will know what it means to him and to his community.

The plan I am outlining involves only three agencies: First, the Federal farm board; second, commodity organizations and commodity marketing boards, also certified by the Federal farm board as stabilization corporations, combining stabilization and general marketing. They work to mutual advantage. Third, farm cooperatives and producers combining for marketing purposes and agreeing to do their general marketing through commodity marketing boards selected by and responsible to them.

You can not discriminate. The farm cooperatives are organized in a strong manner in a good many localities. These farm commodity marketing boards would be the direct representatives of and deal directly with the farmers in reference to their different commodities. By federating and choosing one central board to direct their marketing the cooperatives handling a commodity can at once form the nucleus and set up the marketing organization as a going concern. Granting only one Federal charter or license for any one commodity would be the most powerful incentive for them to combine and for producers to join. Organization would be made far easier and more effective than it could be in any other way. In that way they would have their own direct agencies and those agencies would be paid by them for the purpose of dealing with the one commodity and they would deal directly and be stabilized. That is, they would deal directly, not with the authority of the Federal board, but cooperating with the Federal board.

Quick action is vital in the farmers' present depressed condition. This system could be established more readily and put into operation in less time than any other that has been proposed.

No system will be continually effective or prove a permanent solution of this problem unless it is founded and conducted on sound business principles in accordance with modern commercial practice. Any legislation will fail of its full effectiveness unless it enlists, as this plan does, the active participation and hearty cooperation of the 6,000,000 farmers of America.

The plan I am outlining would give: First, farmer ownership and control; second, it would call for the creation of a Federal farm board. It would call for the operation of each commodity as an independent, separate commercial unit, imposing no expense on any other commodity, nor would it cause any expense to the Government.

These different farm commodities would be operated under commodity marketing boards, one for each commodity, directing general distribution, marketing of the products they represent. Federal charters or licenses would be issued to each commodity marketing board as organized and certified by the Federal farm board.

This plan would be applicable to all farm products. There would be no discrimination, each one being organized and worked out through the commodity marketing boards.

There is another essential factor that must be considered, which is to prevent overproduction. Overproduction has been one of the stumbling blocks, as it were. For instance, let us take wheat, because that has been referred to a good many times. Under an investigation by the Government several years ago a committee reported to the President that the cost was \$1.49 per bushel for the production and marketing, with the marketing as a separate factor, because it includes transportation. In regard to transportation to Chicago, where both our Chicago quotations and the Liverpool quotations are given, that is sometimes a little deceiving and we do not understand it. \$1.70 means only \$1.50, and so it goes. So we started last spring at \$1.70 in Chicago and went through the four months and dropped to \$1.10. That was a loss, based upon the crop, of three or four hundred million dollars, and that is one of the greatest difficulties that the farmers have to contend with. They must take the Chicago and the Liverpool quotations, and under those quotations, while not showing it, the farmers receive 21 per cent less than the Chicago quotations show.

This plan would be applicable to all farm products. There would be no discrimination, each one being organized and worked out through the commodity marketing boards.

There is another essential factor that must be considered, which is to prevent overproduction. I am going to illustrate what I mean, and the method of overcoming it, through the operation of the Interstate Commerce Commission. You are all familiar with that. I ask you to visualize the Interstate Commerce Commission with numerous units of railroads and steamships, all operated under separate management and control. Yet the policy is one that is arrived at through conferences between that commission and the officers of the carrying railroads. They get together and discuss these things, but the power lies in the Federal board, that is, the Interstate Commerce Commission.

In the earlier days there was an overproduction of railways, building was free to all, and many unnecessary railroads were built,

destroying rates and causing enormous losses to all concerned. A number of these lines have been discontinued and in some cases the tracks have been removed. That is different now. If the railroad is to be constructed it must be authorized by the Interstate Commerce Commission.

The same principle should be applied to excessive farm products, the community marketing boards developing plans for limiting acreage and submitting them to the Federal farm board for approval and action. In this way the growers themselves would take the initiative, speaking through their chosen representatives, and presenting their own plans for limiting acreage.

Limiting railway construction under the direction of the Interstate Commerce Commission has worked well. They are now reduced to a very few strong systems, with the strongest and best transportation in the world, in place of numerous weak, poorly supported lines, competing with each other.

If, in place of the present haphazard methods of selling and distributing farm products, with farmers selling singly or in small groups, at the mercy of dealers and speculators, we can establish a great and powerful farm marketing system, each commodity controlled by its producers, and all coordinating with a Federal farm board, it will do more to stabilize agriculture and place farming permanently on a paying basis than all other schemes that can be devised. I want to make it as clear as I can as to how practical and effective operation through this system can accomplish the desired result. It looks as if we shall have a Federal farm board, generally speaking, to fulfill similar functions to those now fulfilled by the Interstate Commerce Commission. Then, coordinating and working with that we will have, according to this plan, what we would call farm commodity marketing boards. We have about 18 standard commodities. This applies to all of them. Those boards are to be certified by the Federal farm board, and while the commodity marketing boards would not be, from a marketing standpoint, controlled in the performance of their business by the Federal farm board, the two would cooperate in working out the farming industry to the best advantage of the producers.

The commodity marketing boards would be selected or nominated by the cooperatives in connection with the individual producers. The nominees of the farmers would be certified by the Federal Farm Board as the representatives of the farmers in marketing their products. The commodity organizations would not burden any other farm commodity with any expense whatever. They would be self-sustaining and all of their expenses would be borne by the respective commodities.

In this connection let me give you a brief illustration of what I mean. Take wheat, for instance. That seems to be the commodity that has been talked about more than anything else, although it is not the most important.

We have, using round figures, to be exact, for the last five years up to this year crops averaging about 805,000,000 bushels of wheat, of which 25 per cent—in round figures, 200,000,000 bushels—is exported. That is the generally accepted figure. There are 75,000,000 bushels necessary for seeding, and 35,000,000 considered as wasted. Then



there are 40,000,000 bushels used for various other things. It is estimated that 40,000,000 bushels are consumed on the farms.

Therefore we find ourselves with what? Four hundred and fifty million bushels of wheat for domestic sale, produced where? Eighty per cent of that is produced in 13 States.

Then we come to a little concrete proposition, with 450,000,000 bushels of wheat to finance, and to finance that amount is a small job. With 450,000,000 bushels sold by the farmer, instead of being sold at \$1.07, which has been the average for five years, if it was sold at what the Government fixed in the early days as the cost of foreign wheat, it would not protect the American farmer.

But there is another factor there. This country is big and rich, and this country depends upon this one industry, farming, the troubles of which this committee is trying to solve, and it has troubles, and we all know that no business can exist without it. Therefore all interests are interested in seeing agriculture placed upon a sound and substantial basis.

Now, just consider 450,000,000 bushels of wheat, with an average of 200,000,000 bushels exported, which, of course, would never happen at any one time. Assume that there are 100,000,000 bushels of wheat exported on the basis of commercial valuation. Now, there is no oil, steel, or anything industrial that has a greater or more permanent value than wheat. If it goes above a 20 per cent margin it will cost \$36,000,000 to clear it out. It will not cost more than that. Therefore, is it not better, instead of undertaking to build up a great revolving fund, in that sense, to make a revolving wheat fund take its place. I do not object to a revolving fund, but would it not be better to make a revolving wheat problem take its place in this way: We can only carry, or this country can afford to carry, or the bankers will carry just so much. We look at this thing differently from what it really is. When you go to a commercial house, a banking house, or a financial house, you have something that is fixed. Then you will have a Federal board to supervise it, or rather, you will have a Federal board, such as we have in the Interstate Commerce Board or Commission. When you have that Federal farm board with these commodity boards certified in a manner so that they can control—you have just got to get around to that word, "control"—there is no banking concern or banking institution or syndicate in this country that would not take hold of that proposition and handle it.

In reality, it is well to fix in this bill a provision for a revolving fund. That has become popular, but, in reality, this country is so rich and money is so plentiful that it looks for that kind of business. The financing of this sort of business belongs to the banking fraternity or the financial fraternity, controlled, however, so that they can not charge a rate above what is fixed. That is to say, there is to be no rate charged, or interest rate charged, as is the case to-day, beyond what this commodity board fixes. If they say 4 per cent, then it should be 4 per cent; if they say 5 per cent, then it should be 5 per cent, or that would be the discount rate as to all matters pertaining to the handling of any special commodity. I have heard this gentleman from California speak of the fruit industry there. Now, Florida is really in a very desperate situation. Do you know why? It is because they depend largely upon their citrus-fruit

industry. There are in Florida \$350,000,000 invested in that enterprise. I brought with me some oranges from Florida. I went to the orchards and got them. I also brought with me some of their bills of sale and invoices, and it appears from them that they are now receiving from this fruit all the way from 75 cents to 80 cents or 85 cents, as the case may be, per crate. A crate contains from 250 to 200 oranges. I brought some oranges home with me, bought on the open market in Florida, and it appears that while the farmer or producer in Florida is receiving less than one-third of a cent per orange. That is the price that he is receiving. I have paid here 5 cents apiece, or 60 cents per dozen. I have the bills in my room. That is equal to a 1,500 per cent spread between that man who is struggling for a living and unable to pay his taxes down in Florida and the man to whom he sells.

Now, then, there are reported to be in that State 13,000,000 citrus fruit trees. I use that illustration, because it is a good one to point out what I mean. There are 17,000,000 citrus fruit trees in California, and there are some in Texas. Some of them have been bearing for 15 or 20 years, and there is no estimate that we can possibly put on those trees that would be less than \$50 per tree, meaning over \$1,500,000,000 worth of trees in that industry. On that basis, they certainly are unable to-day to pay anything near expenses. Now, is there any reason for that? If we had a Federal board or commodity board, is there any reason why those interests should not consolidate and get their price on a profitable basis? That is the proposition, gentlemen. It is just that one proposition. It is the wheat proposition, and it is the proposition on any other commodity. It is a question of getting the financial interests in this country backed by a Federal Government board, with a commodity board for the particular industry, fixing or making the prices and fixing the distribution. It would give them overnight \$500,000,000 of value. It would put this industry to-day in the position of the California citrus fruit growers. It would put them in the position they are entitled to be in. It would give them \$1.25 per crate, and \$1.25 would be entirely satisfactory, because that would give him \$65,000,000 a year. It would give them that on this year's crop over and above their expenses. Would anybody say for a minute that that could not be financed overnight? This is one of our best industries, and we are now shipping over 100,000 boxes to Europe every month.

Now, I use that illustration in order to bring out clearly what I am driving at. This orange business would, of course, come under the Federal board, and they would have their commodity branch or their citrus fruit organization. Now, how long would it take them to get together and how long would it take them to get all the money they needed? How will the fruit growers' cooperatives prevent their price from being destroyed through competition?

This applies in the same way to cotton; it is the same way with wheat, and the same way with every other commodity that is grown and placed on the market in our present haphazard way. We have got to bring this business up to date. We have got to bring this business up to a state of commercialization. We have got to bring the farm industry up to the point that when it is taken hold of by the financial interests of the world they will have something to base it on.

They can not base it on haphazard or uncertain legislation. You must give them legislation that means you are going to have the Federal Government supporting you in carrying on this great industrial world. You can not postpone it. When you come right down to the hard facts, you have got to get this industry right into line with the business of the commercial world. You can not do it in any other way.

I do not know that I should take up any more of your time.

Mr. PURNELL. Mr. Yoakum asked that, owing to his physical condition, he be permitted to make his statement and not be subjected to cross-examination.

Mr. YOAKUM. I do not feel like going into a cross-examination to-day.

The CHAIRMAN. You will be excused, Mr. Yoakum.

Mr. CLARKE. Mr. Yoakum, no greater compliment could possibly be paid any one than not to cross-examine him. It shows our appreciation of your singleness of purpose in appearing on behalf of the farmers.

Mr. YOAKUM. If I can be of service to you in any way, I will always be subject to your call.

**STATEMENT OF LLOYD S. TENNY, EXECUTIVE VICE PRESIDENT  
ASSOCIATED CALIFORNIA FRUIT INDUSTRIES (INC), SAN  
FRANCISCO, CALIF.**

Mr. TENNY. Mr. Chairman and members of the committee, I feel just a little bit strange in appearing before this committee in a different capacity from that in which I have ever been before.

Mr. KINCHELOE. Pardon the interruption, but what organization do you represent?

Mr. TENNY. Mr. Conn's organization, the Associated California Fruit Industries (Inc.).

I only want to gather up a few threads of thought in Mr. Conn's presentation of the problem as we see it in California, and to give, perhaps, just a little more of the background of the problem there.

In the first place, I want to go back and establish, if I can, the principle that from time to time in our agricultural industry, we have to take forward steps, and steps that at the moment may seem somewhat radical, or which, at least, are progressive. I have often referred to my own farm. That is a farm in New York State, which has been growing perishables for 100 years or more. That farm has been in the family for 100 years.

I have a diary of that farm's operations for approximately 100 years, and out of those records I can trace to a very great extent the history of American agriculture. In the early days that farm was an individual unit. It produced what it wanted to, and it sold it in the city of Rochester, 18 miles distant. They took the produce from that farm and sold it direct to the consumer. I do not suppose my grandfather or father ever gave a really conscious thought to the adoption of a production program on that farm. It was automatically taken care of by simply raising that for which there was a market. He was in almost daily contact with the ultimate consumer, and when a commodity sold for less money than another, there was an automatic readjustment on that farm.

We are in a new day in American agriculture, where the individual farmer, as you look at him on an individual farm, has been pulled far apart from the consumer. We, in California, particularly, are 3,000 miles or 2,000 miles away from the great mass of our consumers, who utilize a quarter of a million cars of perishables shipped from California alone. Now, the problem that is concerning agriculture to-day, as I see it—and my experience here in the Department of Agriculture, and my experience in the commercial world prove this—that we are living in a day where the producer and consumer are widely separated, and where the individual farmer can carry on only his production program as an individual.

He can do that, but, in order to meet the same conditions that my grandfather or my father had to meet, he must have a program of distribution injected into the picture, so that he may readjust his production, or his marketing, in the light of the economic factors that exist in the territory in which he is interested. To-day, the United States, or, in fact, the world, so far as the dissemination of agricultural information is concerned, is considerably smaller than was the county of Monroe, in New York, 75 years ago. We in California are interested more, and are influenced more, by things that are taking place in Australia, South Africa, or England, because they are affecting us directly, and they affect us practically on the day on which they take place. We are influenced more by those things that are world-wide than my grandfather was affected by what happened in Orleans County, which was the adjoining county to that in which he lived. Now, any program of agriculture, any agricultural relief, or any act of Congress, that will accomplish things it seems to me must take into consideration a recognition of this change in American agriculture. During the days when I was Chief of the Bureau of Agricultural Economics, we started up a new field of research work. There has been some criticism of some of this kind of work. For instance, we started the outlook reports. Now, what is the outlook report?

That outlook report is doing for the American farmer to-day, as an industry, for the various agricultural industries, the potato industry, the wheat industry, the hog industry, and so forth, just what the cooperatives are attempting to do for the farmers that are interested in a particular industry, or just what my grandfather could do for himself—namely, size up the production in his immediate territory, or the competitive production, size up the scope of the marketing situation, and adjust his whole program of agriculture to those economic factors as they exist. Fifty years ago we could do all of that ourselves, as individual farmers, but to-day we have to inject the Federal Government and its agencies into the picture for the collection of that information for us. Now, that brings me to this one conclusion, and I want only to touch the high points here, and that is that the agriculture of the future has got to be approached along commodity lines on a basis of the trends of the development, the potential production, the quality to be produced, the distribution, and everything else of each of our commodities. We have got to visualize the potato business, which has been used as an illustration here, as an industry. Ultimately, we have got to try to adopt a program in American agriculture, as far as the potato is concerned, that



is in line with the economic factors that affect the production, the marketing, and the price levels of the potato crop.

In California there are industries in which we are particularly interested. For instance, we have a pear industry, we have a cherry industry, we have a peach industry, and we have a grape industry. The day has gone by when you can try to solve that problem by working wholly and only with the individual producers there, of trying to solve the problem simply by an educational process or convincing Mr. A, Mr. B, and fifteen or twenty thousand other growers that they should do this, that, or the other thing. Frankly, the reason I left the Department of Agriculture was the fact that I saw developing herein California, under Mr. Conn's direction, a new concept of agriculture, a new approach to the solution of the agricultural problem, and a new concept of cooperation in agriculture. It was an approach that attempted to reach the solution through industry channels, or through an industrial approach, with the whole idea of building up a plan or program, and with having the necessary machinery to carry it out. That is the plan of the Associated California Fruit Industries.

Now, why do we not approach it through our cooperative marketing channels? We do not for the reason that you can not do it that way. You can not do it that way in California, in the industry we represent, simply because you can not go to the 20,000 individual growers and convince them that they should sign cooperative marketing contracts which will take away all their right of choosing between the different agencies of marketing, and the right of individual contracting, to a limited extent. We can not say to those 20,000 growers, "Join one organization and turn your products over to one sales manager, and let him handle the distribution of your entire product." I want to say, lest I am misunderstood, that I have no opposition at all to that method of doing it. It is an excellent method if you can get your growers convinced that that is the right thing for them to do. The California Fruit Growers Exchange, which is not the organization that Mr. Conn mentioned, is a citrus organization, representing 80 or 85 per cent of that industry in California. It has accomplished an industry program and is one of the finest illustrations, probably, of a marketing association or organization in the world. They have done that through cooperative marketing but you could not do that with many other industries.

Now, we have come to this conclusion, that the need of organization, the need of an industrial program, the need of orderly distribution of products and of perishable products particularly—the need of all those things, and the need of having an agency whereby you can put on an industrial program that will adjust the production to the potential demand—this need for an industry program has grown so much faster than the progress of pure cooperative marketing. I am willing to risk a little of my reputation for a number of years on this new type of cooperation. What is it? Our products are in California. I will take cherries because I want to use cherries as an illustration: We produce about 1,000 carloads of cherries and they have gone into the market largely by express. It is a very expensive industry, for that reason, and a very intensive industry. We have those cherry growers there and the products are on the

trees. They are not worth anything to us there. We can not eat them in California but we have got to get those cherries to New York, Philadelphia, Boston, Chicago, and the other markets. We may ship them by this railroad or the other railroad, but, essentially, as growers, we do not care whether they go by this railroad or that railroad, so long as they arrive on time, in proper condition, and are properly iced in transit.

As I say, we ship those cherries to New York, Chicago, and other like markets, and put them on sale there. We come back now to the point where we hitch up again with the new work that the Department of Agriculture has been doing, and that is the study of prices. What makes the price of cherries in New York? Is it something that comes out of the air that determines whether the price shall be high or whether it shall be low, or are there economic laws back of the price at which the cherries are marketed? I think the Department of Agriculture has done sufficient work to show that there are definite economic laws that can be interpreted and put down in writing in determining "price." I think that ultimately we are going to have these laws worked out for all of our commodities. Now, we are interested to learn just what those laws may be. At the present time we do not understand them, except, I might say, grossly. We are interested in applying them to all of our processes, in getting the cherries from the trees into the terminal markets. We are interested in applying this gross law to those processes. We want to apply that law to our industry, irrespective of what railroad carries our produce or what marketing agency handles it. As an illustration—it is just an illustration and I am not sure it is correct—we find that with a certain price level that is satisfactory to our growers we can place five cars of cherries per day on the market in New York City, at auction.

If we place 6 on the market, the price is lower; if we place 7 on the market, the price goes still further down; and if we chance to place 8, the probabilities are that the price will go to the bottom. In other words, we have a price that is made at the terminal markets, and if we have eight cars there on a particular day we have a surplus of cherries. Now, we are not selling the additional three cars that make up the surplus only at a reduced price, but the fact that we have that surplus there affects the price of the five cars that we ought normally to sell at a good price. Now, what is our program? We say to the cherry growers, through the cooperation of the Department of Agriculture and other agencies that can analyze the market demand for this particular commodity, that we know that on a certain day we can ship 75 cars of cherries and that that quantity is going to absorb all the potential demand there may be. Now, we say to the grower, "All right, you sign our agreement, through your own organization," which is not going to take over the title to your cherry crop, which will not actually market your cherry crop for you, but which is going to build up a program for you with sufficient authority so that you can carry out an orderly program on cherries, which will give you just as much money as it is potentially possible for you to get out of your crop." They sign that contract.

The contract simply provides this, that outside of paying for the support of the organization, it has just this one factor in it, and that

is that the grower will not operate through a cooperative, that he will not sell his product to a cash buyer, or that he will not allow a consignment shipper to ship it for him unless and until that cooperative, that cash buyer, or that consignment house enters into a written agreement with his organization to carry out its orderly program for the industry. The growers sign that contract, and our organization comes into being. Then we enter into a contract through the organization that Mr. Conn mentioned, the California Fruit Exchange—we enter into a contract with four or five cash buyers in the State of California, for instance, who are buying cherries, each competing with one another and each competing with the cooperatives in obtaining the fruit from the growers. We enter into a contract with four or five agencies that handle those cherries on the account of the growers, or with the consignment houses. Perhaps the distributor does not want to enter into this contract, but if the growers have signed up the contract with his organization such a shipper is compelled to operate along an industry program. He can get his cherry from no other persons, because 75, 85, or 90 per cent of the growers have agreed to ship only through such agencies that have entered into a contractual relation with the organization.

So the grower's contract is the background on which we go out as an organization and enter into contractual relations with 16 different distributors that happen to be in the picture handling cherries. Now, we have got those contracts with the distributors, with the cash buyers, or operators that buy them, and let me say parenthetically right here that we are not taking away the right of the individual farmer to sell for cash. We are not taking away his right to sell to Mr. A, with whom he has done business for 10 years in a satisfactory way. We are not taking away his right to join a cooperative, or to remain in a cooperative, of which he has been a member for several years. He has those rights, and that is the reason he signs. That is a point that I think, perhaps, you did not catch in Mr. Conn's discussion. That is the reason we are able to get 75 per cent of them signed up. We are not taking away from the grower or farmer his right of decision on any of his major questions.

The only right that we are taking away is the right to deal with a man who has not entered into contractual relations with his, the growers', organization.

I believe that in California and in Georgia—for instance, on Georgia peaches—you could go in and sign up 75 or 80 per cent of the growers in that kind of an organization.

We are now ready with our cherry crop. We hitch right in with the market news work. And let me say again, parenthetically, that a great deal of the market news work of the Department of Agriculture is the collecting of information which is shot broadcast to the world, and which aids no one, simply because you have not got the organized program to make use of that market news.

Now, through the cooperation of the Department of Agriculture, we bring the market news into the office adjoining our office. We have all of this information on these commodities that we are interested in, collected right there in the adjoining office. At 7 and 8 and 9 o'clock in the morning the wires are busy, and we need additional service. It cost us last year \$15,000 of growers' money to supplement the market news work of the Department of Agriculture in order to

get sufficient information to run our clearing house and our distribution program properly. Now, in this office, collected by a disinterested party, we have the information. We have the number of cars of cherries on track; we know where every car is, every day during the shipping season, on cherries, thanks again to the cooperation of the railroads. We have had wonderful cooperation from the railroads. The railroads have spent many, many thousands of dollars in checking these cars as they move through the gateways and giving us the information that this particular car has moved "so far," or "so far," until we know that it is ready to go either into Pittsburgh or New York to-morrow.

Now, in the light of all these facts, knowing that we can sell 5 cars at a certain price in New York, 4 cars at a higher price, and 6 cars at a lesser price, we say to these distributing agencies—we bring them around the table and get all the information they have with regard to prices—"Our program in the interest of the cherry growers to-day is 4 cars in New York to-morrow, 2 cars in Pittsburgh, 2 cars in Chicago"; and so on until we have distributed the number of cars in the best manner that we are able to do it.

Under penalty these agencies—cash operators, consignment houses, cooperatives—must carry out that industry program, because they have entered into contractual relations with this grower organization under a penalty of \$100 a car on each car in which they violate the orders of the organization. So we can get the 5 cars in New York to-day and the 5 cars to-morrow and the 5 cars the next day. We know that New York is the key market. We know that we must keep New York in a healthy condition. The citrus people have done it for years. They have done it because they have had a control through their organization of the commodity. We are doing it on cherries because we have got a control under a different set-up—except that here is one man who is outside; and this is an actual illustration of what happened last year.

One firm had arrangements with growers that were not members of our organization. They had a considerable tonnage. They were one of these groups of growers that were sitting under the umbrella. They wanted the industry to stabilize itself, and they wanted to take the benefits of it. On a particular day, when our shipments were creeping up—and, incidentally, we had almost a double crop of cherries last year, so that we had a real test of our ability to distribute the cherry crop—our shipments were coming up, and we saw too much going into New York. We reduced it through our agency. On a particular day this one agency put three cars of cherries in New York, and the market went flat. They got nothing out of it; their neighbors got nothing out of it. The whole orderly program of distribution of cherries broke down because one agency that had 6 or 8 or 10 per cent of the cherries chose not to cooperate on an industry program but rather to run the machine as they saw fit, as far as their own business was concerned, on their individual rights of property, and by allowing them to have that individual right to do as they pleased they affected their neighbors, every single one of them, adversely, and each and every cherry grower in the State of California suffered because of the fact that this one concern was allowed to go scot-free and exercise its individual rights of property.



Our program is very simple. On some of our commodities we need definite steps of rehabilitation. We have a program, as Mr. Conn has stated, worked out through a long series of research by the Metropolitan Life; by our own organization; by the Departments of Agriculture, State and Federal, and by the Department of Commerce. We have a program for the largest perishable industry in any one State in the Union—an industry that each year turns back into the channels of trade, or ought to turn back into the channels of trade, at least a quarter of a billion dollars—\$250,000,000. Now we come with a definite program and we say that it is possible for us to organize this type of organization on a cooperative basis, on the basis of grower control, contracting with the distributing factors that are in the picture, allowing those distributing factors to be competitive up to a limited extent, competing for the different crops of fruit, competing for the different markets under some restriction, and doing it all in the interest of the growers who own and control the property that makes up that industry; and we say that in our opinion it is not going extremely far beyond where we have gone in times past when we suggest that governmental aid can be used in rehabilitating certain of these industries—and only the industries that are broke to a limited extent want rehabilitation or aid—that the Government is justified in making those loans and giving the financial aid and other aid of various kinds to rehabilitate those industries if and only you have got an industry program presented to the board based on this grower organization, with the proper business organization that meets the approval of the board, and that when your board has made those loans, when you have set up your industry program, that then it is only right to protect your loans, to protect the public in general, by imposing upon this small minority the obligation of doing not as they please with their own property but, when they move their property in interstate commerce, of adhering to an industry program.

I do not know that I have anything more to say, members of the committee. That is our program, and we believe that if this Congress took the forward step of providing for that sort of machinery and governmental aid through that kind of machinery, particularly in the perishable field—I do not know how far in the nonperishable commodities the same idea could be carried out, but my own opinion is that it could be carried quite a long way—but that in the perishable field, if you will set up that kind of machinery with a Government board back of it, in the course of 3, 4, or 5 years you will see practically every perishable commodity in the United States setting up an organization to cut out waste, to cut out dumping into the various markets, to keep our markets in a healthy condition. Then, as Mr. Conn has, I think, adequately pointed out, you can transfer those commodities from one line of use over into another channel. In cherries, for instance, we can increase the quantity going into the cans. Through an industry program we can do that; without an industry program it can not be accomplished.

So with that kind of a set-up you have got the best collateral, as we see it, that can be given for a loan by the Federal Government to these great industries for stabilizing them and working out their industry program, and incidentally you have got the best organization for hitching up with the Department of Agriculture through

their entire educational organization. I believe firmly that with our organization developing year after year, when the question of higher prices comes upon us, and we are faced with a problem of increased production, we are going to have a strong enough organization, through public sentiment, through chambers of commerce, through community programs, through banking facilities, through business men, that we can go as far as it is humanly possible to go in any way in limiting and controlling production when we get into those higher-price figures.

Mr. Fort made a suggestion with regard to the handling of the legislation which I think is worth considering—namely, tying it directly up with the so-called Borah-Summers bill. We had thought of doing it through the agricultural relief bill. We are not here to say how it should be done. We do not care how you accomplish the purpose. In order, however, Mr. Chairman and members of the committee, that you may see the suggestion that we have, I am going to pass these copies down. This is a proposed section to be included in any agricultural bill providing for agricultural aid. We are not trying to write the bill. We are not trying to say how you shall set up the organization. You can do it in almost any way you want to; but whatever approach you make to it, we think this or something substantially like this should be written into the measure to cover our suggestion and need.

The paragraph reads as follows:

Whenever any stock or membership corporation or association organized under the laws of any State and comprising therein the producers of 75 per cent or more of the tonnage of specified commodities produced in an area approved by the board, and presenting a plan of organization, management, and industry program for the marketing of such specified commodities of said area, the board, upon approval of such plan and area, shall declare such corporation or association to be one of the instrumentalities appointed in this act for carrying out the purposes thereof. Thereafter no such specified commodities shall be transported from such area in interstate or foreign commerce except in accordance with said approved industry program for the marketing thereof.

We have submitted this to several lawyers, and they think that when that is fitted in with any bill that you may be writing, and adjusted from time to time while the bill is going through, according to the best judgment that there is here in Congress, this measure could go to the Supreme Court with an almost absolute certainty that it would be sustained by that body.

Mr. PURNELL. Would it be possible to determine actually 75 per cent of the tonnage?

Mr. TENNY. That would be left, in our opinion, entirely up to the board to devise whatever means it wants to. We can determine it to our own satisfaction within our organization. We have got, for all practical purposes, a list of every piece of property that is producing the fruits in which we are interested. We know, and we can check up, and do check up, the contracts that come in against those original lists of property. We believe that so far as our own interests are concerned we could prove to the satisfaction of any board whether we had 60, 70, or 80 per cent of the commodity.

Mr. PURNELL. Your cherry story is very interesting. I am just wondering who is penalized by the excess shipments—the eight carloads.

Mr. TENNY. Ultimately the grower.

Mr. PURNELL. And who profits?

Mr. TENNY. Nobody. There is nobody that profits particularly in that.

Mr. PURNELL. The point I am getting at is this: The consumer did not profit?

Mr. TENNY. No, sir. In that particular illustration, which was a real one, that situation existed only for two or three days. We had no method of making a check on it, but I would risk any sort of a guess that when the cherries got out to the fruit stands in Manhattan, Brooklyn, and Jersey City, where those cherries went, the price to the ultimate consumer was not affected 1 penny a pound.

Mr. PURNELL. I have no doubt of that. I was just wondering how it was taken up along the line, and the condition on the distributing end.

Mr. TENNY. I could go into my theory of that, but I do not believe it is worth it, Mr. Purnell, here.

Mr. PURNELL. Anyway, it serves to impress upon our minds the need for orderly marketing and for intelligently marketing whatever is to be marketed. That is another instance of exportable surplus, only in a small way, within our own borders, is it not?

Mr. TENNY. It is. But, Mr. Purnell, 75 per cent of the value and effectiveness of the market-news service of the Department of Agriculture, which is now costing you something like a million dollars or so, is lost by not having an orderly control program of distribution. Now, every dollar that was spent by the Federal Government in market news on cherries for California, and peaches, grapes, pears, and these other commodities that we are interested in, was made use of by us on the day that it was collected. We had an organization that represented practically the entire industry, and we could therefore apply the market news information in a practical way by the decisions that we had to make to-day and to-morrow and the next day.

Mr. PURNELL. And you believe that those principles could be applied to nonperishable products as well as to perishable products?

Mr. TENNY. I am inclined to think they could, but we have given no thought to that, because I am out of Government service and I am working for a private concern interested in perishables.

Mr. PURNELL. That is all.

Mr. ASWELL. Mr. Tenny, reference was made here to the Summers bill. We had a hearing on that bill, and some telegrams about it, but it is not a law yet. Is it certain that it is going to pass right away?

Mr. TENNY. I am not making any positive assertions as to what Congress will do with the bill, Doctor.

Mr. ASWELL. Mr. Purnell referred to the Summers law.

Mr. PURNELL. I meant the Summers bill. I will correct it when I get the record.

Mr. ASWELL. I just wanted to learn whether it is going to pass right away.

The CHAIRMAN. It is very limited in scope. It could hardly be considered farm relief.

Mr. ASWELL. I want to ask you a question which is a little out of the line of examination. In the last two or three days the com-

mittee members have received hundreds of telegrams from the perishable fruit growers of Florida insisting that we include Muscle Shoals in this bill. Does that come from California too?

Mr. TENNY. I am not sure. It did not come from Mr. Conn or myself.

Mr. ASWELL. What is behind this new movement?

Mr. TENNY. I do not know.

Mr. ASWELL. Inasmuch as you are connected with perishable fruits, I thought probably you knew something about it.

Mr. TENNY. We are not interested particularly in Florida.

Mr. ASWELL. Nor in Muscle Shoals?

Mr. TENNY. Nor in Muscle Shoals.

Mr. ASWELL. All right; that is all.

Mr. WILLIAMS. Mr. Tenny, have you any other suggestions to offer to the committee as to the kind of bill that we ought to report, other than that you want incorporated in it this proposed section? We are here to get information about how to draw a bill to present to the Congress which will relieve the conditions which we all recognize exist in agriculture, and you have submitted here a section to be inserted in the bill. Now, what kind of a bill do you think the committee ought to draw?

Mr. TENNY. Mr. Williams, I am not going to try to draft that measure in the next five minutes for you. I have only a few general remarks that perhaps I might make.

In the first place, I will say this: It is no easy task to try to accomplish by legislation the rehabilitation of agriculture. As far as I am personally concerned I do not believe that there is any one set-up or formula that you can apply to all of agriculture. Therefore, my first conclusion is that the bill—assuming that you are going to set up a board—should be written in as general language and as broad as possible. The board that is going to be selected to operate under this law is going to have one trying time. There is no question about that. But if you have got as efficient a board as it is humanly possible to get, it seems to me that in drafting the measure you have got to throw largely the responsibility upon them of deciding, in the cotton business, in the perishable business, and some other business, what course of action they should take, and that they should have the power in the bill to take whatever course of action and render whatever assistance may be necessary in the way that seems wisest and best to them as they view each and every separate problem that presents itself to them.

Mr. WILLIAMS. And you think further, I assume, that Congress should make available for the use of this board whatever resources are necessary to carry out their policies?

Mr. TENNY. Absolutely.

Mr. WILLIAMS. I think that is all.

Mr. KINCHELOE. Mr. Tenny, is your organization a corporation organized under the laws of the State of California?

Mr. TENNY. Yes, sir; under the cooperative laws of the State of California.

Mr. KINCHELOE. If this amendment of yours is drafted into the bill, suppose you take the peach growers. I believe Mr. Conn stated that the principal States were California, Arkansas, and Georgia.

Mr. TENNY. Yes.



Mr. KINCHELOE. Now, if this should become a part of the law, and you gentlemen who handle the peaches in California should get 75 per cent of the peach growers there, and they did not get, say, more than 15 per cent in Georgia, then your idea is to that this board could say to the 25 per cent that did not come in in California, "You can not ship in interstate or foreign commerce unless you comply with the provisions that the 75 per cent do," while the Georgia peach growers could ship indiscriminately, could they not?

Mr. TENNY. I would answer that, Mr. Kincheloe, in this way: It is up to the board to decide whether this peach program that we present to them for California has sufficient merit in it, considering the fact that Georgia has not come in, and will not come in, we will say, for the time being—whether under those conditions it is worth while for the board to recognize our peach program or whether it is not.

Mr. KINCHELOE. The point that I am making is that under this amendment of yours they would have the power to do that?

Mr. TENNY. They would; yes, sir.

Mr. KINCHELOE. And yet, of course, that would not accomplish the purpose; would it?

Mr. TENNY. It might accomplish the purpose to a certain extent.

Mr. KINCHELOE. Well, it would so far as the peaches that are grown in California are concerned; but I mean, taking the commodity as a whole, it would not accomplish the purpose?

Mr. TENNY. It would not accomplish the purpose entirely in California either, Mr. Kincheloe. But here are all the western markets, the markets up to the Mississippi River, the northern markets, the markets that we reach in Chicago, when we become really competitive. We could have an orderly program for that part of the country, which is normally supplied by California peach growers.

Mr. KINCHELOE. I know; but the point I am making is this: You will agree that you have got to have commodity units, well organized, in this country in order to help the farmer, will you not?

Mr. TENNY. Absolutely.

Mr. KINCHELOE. I mean in a national way, of course.

Mr. TENNY. But, on the other hand, I think that the approach to that is through those district ideas where we have a similarity of problems, because I think we can accomplish it in that way.

Mr. KINCHELOE. You say that your counsel have given an opinion that in their judgment this section would be constitutional? Did I understand you to say that?

Mr. TENNY. Yes, sir. Not this exact wording, but assuming that your lawyers here are going to weave this in and make changes to fit in with the rest of the bill, and write this idea in as perfectly as it can be written.

Mr. KINCHELOE. Did they state that that was constitutional in their judgment, under the welfare clause of the Constitution?

Mr. TENNY. No; the interstate commerce clause.

Mr. KINCHELOE. Under the interstate commerce clause?

Mr. TENNY. Yes.

Mr. KINCHELOE. Let me ask you this question that I asked Mr. Conn. What difference in principle do you see in this amendment as applying to the farmers—if 75 per cent of the growers of a com-

modity go in, that they can compel the others to go in, and that is what this means—

Mr. TENNY. Yes.

Mr. KINCHELOE. What difference is there in that and the case of a union labor organization in a labor community of this country, where 75 per cent of them have gone in and joined the union, to compel the other 25 per cent to go in?

Mr. TENNY. I could not answer that at all, Mr. Kincheloe, because I have never made any study at all of the labor union situation.

Mr. KINCHELOE. I mean, do you not think that would be a parallel thing to this?

Mr. LARSEN. They are not in interstate commerce.

Mr. KINCHELOE. But what they might produce would go into interstate commerce. The same as the farmers' product under this amendment.

Mr. TENNY. There might be some matters of similarity, but I think there would be many differences.

Mr. KINCHELOE. You do not think that ought to apply to all commodities, do you?

Mr. TENNY. I most certainly would propose that the word "perishable" be left out of this idea, so that if the cotton growers of any particular area, or any other growers, did actually get together and form such an organization, even though they were handling non-perishables, they would be entitled to the same privileges that the perishable people would have under this provision.

Mr. KINCHELOE. Of any state?

Mr. TENNY. Of any state or district.

Mr. KINCHELOE. Let me ask you this: Take the cherry industry. What State is your greatest competitor, outside of your own?

Mr. TENNY. We have some competition from Oregon and Washington.

Mr. KINCHELOE. That is not an illustration such as I want to draw. Let us take the peach proposition. Of course, the Georgia peach growers are closer to the general market than California, are they not?

Mr. TENNY. Yes, sir.

Mr. KINCHELOE. Is there any difference in the freight rate?

Mr. TENNY. I can not answer that. Yes; there is, of course, because to certain points we have lesser freight rates and they have greater ones.

Mr. KINCHELOE. The reason I asked you that was that I presume there is a difference in the freight rate in favor of the peach growers there in so far as the Baltimore and New York markets are concerned. Now, is that reflected back to the producer of the peaches? Would he get that benefit over the California peaches if you were all in one unit?

Mr. TENNY. Mr. Kincheloe, we are not suggesting for a moment that the Georgia peaches and the California peaches should be pooled as to sales and that the returns be based on the pooling idea. That is not in our program at all.

Mr. KINCHELOE. I am not contemplating that. But suppose you are all in this commodity unit—75 per cent, and if this amendment is adopted it will be 100 per cent. If it costs more to ship a carload of peaches from California to the New York market than it does from

Georgia to the New York market—the same character of peaches—would the difference in the freight rate in favor of the Georgia peach growers reflect back to them?

Mr. TENNY. I can not answer that. I would only say this: That in the New York area there is a certain demand and a certain price level for California peaches. They want a certain number of cars of that quality and kind of peach. The Georgia peach is quite different. While it is a peach, and while it is competitive, it is quite a different property from the California peach. There is a certain demand and a certain price level for that. The best illustration that I can give is this: That if we had the three districts in peaches organized into a perfect organization, to a large extent the operation would be the same as it would be if there were one corporation that owned all of the peaches in all three States.

Mr. KINCHELOE. Of course, I was basing my question on the hypothesis that it is the same character of peach.

Mr. TENNY. Well, that is not true. It is not true of oranges. Of course, there is a certain demand for Florida oranges. In certain markets they will bring a premium, and in certain markets the California oranges will bring a premium. They are not at all in the same class, although both are oranges; and that is pretty nearly true with all commodities. Take even potatoes. The Idaho potato has a reputation different from the Michigan potato, and the New York potato has a different reputation from the Maine potato.

Mr. KINCHELOE. I had an idea when I asked you that question that there are some commodities in the United States that are produced in different States that are exactly the same and go to the same market; and I was just wondering whether the benefit would reflect back to the grower living in the territory that is closer to the market and that has the cheaper freight rate. That is what I meant as a general proposition.

Mr. TENNY. We have not got that far toward solving that problem, Mr. Kincheloe.

Mr. KINCHELOE. All right. That is all.

Mr. JONES. I was wondering in your illustration, a while ago, of the eight cars of cherries that went to New York. Suppose you have eight shippers, all belonging to the exchange, who want to send eight cars of cherries to New York the same day. How do you determine who shall send them?

Mr. TENNY. That is an exceedingly difficult question, Mr. Jones. That is one of the fundamental questions that is difficult to work out.

On the other hand, we have found that it is practical of solution. That is, we get these eight people on the telephone, and, assuming that they all have the same right, if we do not have any other approach to it, we might put up the approach as follows:

"Here, Mr. A, you had a car yesterday. The rest of these fellows did not, or Mr. B did not, at least; it is up to you." And, instead of using a club, we use the fairness of the thing as our chief argument.

What is right for this fellow to do in the interest of the public welfare and the interest of the industry? It is surprising how far you can go in getting a program over if you lay your cards on the table and come right out and appeal to them as a fair business proposition.

Mr. JONES. You have been able to solve that question in a satisfactory manner in that way?

Mr. TENNY. Yes.

Mr. JONES. In reflecting that back to the grower, do you not have the same trouble in shipping certain cars; in deciding in favor of certain shippers you automatically decide in favor of certain growers, while certain growers are left out of the market, are they not?

Mr. TENNY. Naturally so. We would use the same logic exactly on the grower that we did on the shipper. Here is the point; here is one of your great arguments, Mr. Jones: We say to them, "Suppose you both ship to New York, what are you going to get out of it? You are not going to get anything. What is the good of paying freight on it? Won't it be better for you to ship a car to Chicago or down to Louisville and take perhaps a little bit lesser price and keep your price stabilized and keep your movement going along?" He sees the logic of this argument.

Mr. JONES. That seems to me would be one of the difficulties. However, it would not be so great a difficulty in perishable commodities as it would be in the nonperishable. Take wheat, for instance. There you have a 200,000,000-bushel surplus. Then if you had a limitation on a sale, the fellow that got there first would have a decided advantage, because that commodity holds over. Your cherries would not last but a few days, I suppose.

Mr. TENNY. Quite right.

Mr. JONES. When they are not in cold storage. Naturally the program would be more easily adjusted than it would in a non-perishable commodity where it remains a staple commodity.

Mr. TENNY. Quite true.

Mr. JONES. I would anticipate considerable difficulty, if you made the limitation on the marketing to certain channels on a certain commodity that you would not find in a perishable. If the surplus got to be very great, I think you would have increased difficulty, even on a program of perishable commodities.

You do not have, then, any way of apportioning the loss, if there are eight cars that want to go and there is only a market for five, and you keep the other three off—you do not have any way of apportioning that loss?

Mr. TENNY. We have not, but that does not mean to say that we will not have in three years' time. If our organization goes on and we keep building up goodwill and the support of the industry, it is wholly possible in my thinking that inside of two or three years, if we have a surplus situation and if our solution of the problem contemplates that we are going to take off into the by-product channel something at a lesser price, we may be able to enter into a contract with our growers whereby that surplus is going to be taken off on a percentage basis, or on some other kind of arrangement that is going to be satisfactory to the industry as a whole.

I think that this idea when properly handled gives you the widest scope of imagination to develop how far you are going in a commodity organization program.

Mr. JONES. That is all.

Mr. KETCHAM. Mr. Tenny, referring to the cherry illustration, I suppose that the product of California comes to its prime, and the



shipping season is at its height, at a very different time than, for instance, other localities with which you would be in competition?

Mr. TENNY. Yes.

Mr. KETCHAM. Will you tell us a little bit about how that works out? What is the sequence of the marketing period for cherries in the various sections of the country?

Mr. TENNY. I can not do that very definitely. California starts ahead of practically anything else. Then it comes on and by the time we get into the bulk of our shipments we get some shipments out of Oregon and Washington.

Our cherries are for all practical purposes not in competition with the New York, Ohio, and Michigan cherries. They are picked in little baskets and they have the long stems left on them and they are put up in a very fancy way, and it is a sort of a luxury fruit, while the latter part of our season comes along with these eastern cherries—New Jersey and New York—only to a limited extent are they competitive.

Mr. KETCHAM. Therefore, so far as the national organization is concerned, with reference to the cherry situation, the very fact that there is a seasonal overlapping would be of assistance in working out a national program?

Mr. TENNY. Yes.

Mr. KETCHAM. Would that same rule apply with reference to peaches, about which you were speaking just a little while ago? Can you tell us a little bit about how that works out?

Mr. TENNY. The peach proposition varies, because we are awfully close to Arkansas as far as the time of shipment is concerned.

If we happened to be very warm in the springtime and our crop is advanced, we will ship ahead of them, and we will be out of the way of certain varieties of peaches, although I will say that we ship fresh peaches over a very long period of time.

We ship them over a period of two months or more. So that it is largely a question of developing an orderly program all over the United States on the peaches that we have got and developing a program of our own, irrespective of what Arkansas and Georgia are doing, although, as Mr. Conn says, this last year, through congestion at St. Louis and Chicago, we were running head on. We had a very large crop. Arkansas had a very large crop, and both States had hundreds of cars that were awaiting to be pushed on the market.

Mr. KETCHAM. In your contemplation of the farm board as proposed under this act and the set-up that you have described as existing in California, do you think that the Federal board, if there came this head-on collision in the marketing season, should have some power to compel these organizations back here to agree upon a program that would be to their advantage in the terminal markets?

Mr. TENNY. If the industries were organized and getting financial assistance; yes.

Mr. KETCHAM. That would be just a natural, orderly program?

Mr. TENNY. That would be a part of the program, and conditional upon those parts of the program would be their loans of money.

Mr. KETCHAM. Will you take one other crop to which reference was made a little while ago? Take potatoes. Probably more than any other crop they retain their identity and there is not so much of a divergence of policy. We advertise the Idaho potato. The

Michigan potato has very great use in early plantings, by reason of the sale of certified seed, and the like of that. Will you take the potato crop and illustrate how the idea might work out that where the board saw a sort of tendency to develop the industry in a particular section, to prejudice the results in another section. How they might have some power through their loaning of money, to regulate this conflict satisfactorily?

Mr. TENNY. I think they might. I think that your industries have got to do just about what we are ready to do. If the board were here and you people were the board, we could come and lay our program almost from A to Z on the table before you, and the question as to how much you are going to do for our industry is going to be predicated upon you, as the board, deciding upon how feasible and practical and good a program we have got and how good management we have got to carry out that program.

Mr. KETCHAM. Then if I understand your idea, Mr. Tenny, so far as the surplus control is concerned, as applied to the perishables, you sort of reverse the idea we have been considering heretofore, which was the Government would take the surplus and dispose of it to the best advantage and prorate the losses back. Under your plan the surplus would be handled by the folks themselves, by retaining it and not putting it upon the market.

Mr. TENNY. Mr. Ketcham, as far as I am personally concerned, you can legislate until the cows come home, and as far as agricultural relief is concerned you can not solve the agricultural problem if we still maintain a production with surplus and simply take that surplus off and raise the price to a point where your production is going to be increased to take up that slack.

My theory is that the industry that is eligible for aid consists of those growers that have their money invested in the production of a single commodity, that can come to the Government with a program that includes everything.

Now, we have called it a clearing house. The clearing house is only one angle of our program. We have done certain things in the last two weeks that I can not divulge yet because they are not public that go to the very basis of our whole industry program.

You never could have accomplished them without an organization that represented the industry.

So when we are talking about an industry program, it embraces everything—production, quality, disposition of surpluses, orderly distribution, and everything else.

Mr. KETCHAM. That is all.

Mr. FULMER. Mr. Tenny, is it your belief that if you had control of the distribution of your commodity under your scheme so that you could bring about orderly distribution to ship when and where your product is needed, not only would you bring better results to the growers but it would be highly satisfactory to the receivers of your commodities in the various large cities, as well as the consumers.

Mr. TENNY. Absolutely; there is no question, Mr. Fulmer, as to that.

Mr. FULMER. In other words, the consumers, considered as a whole, would not receive any great advantage through a glutted market in one city because in some other city where the market was not glutted they would be paying higher prices; so nobody would gain.

Mr. TENNY. That is quite right. But even within the city itself, we find the distributors within the city, retailers, dealers, and wholesalers, would prefer to have a stabilized market.

They know how much their market will consume. They would rather see the shipments just about equal the requirements of that market. They are not interested in seeing 10 cars more or 3 cars less than their demand come into their market.

Mr. FULMER. You are not concerned about overproduction, if you had some system whereby you could bring about this orderly distribution.

Mr. TENNY. I am not saying we are not faced, must be faced in various perishable industries, with the question of overproduction. The only thing I am saying is, when you have determined positively that you have exhausted your ability to dispose of that product, when you have got an industry program, then you have got the educational basis, if you have not got anything more, to adjust your production to meet that potential demand.

Mr. FULMER. It is the contention of a great many people to-day, Mr. Tenny, if you had orderly marketing and fair distribution and fair prices, the world really needs practically every pound of all the commodities we produce to-day.

Mr. TENNY. I think that is largely so.

Mr. LARSEN. Mr. Tenny, this proposed paragraph which you have submitted to be incorporated in any bill that is drawn, seems not to impose as great a burden or as stringent regulations as many other suggestions which have been made to the committee would impose.

It seems that your organization will be satisfied upon one condition only; that is, that you have an industry that will take care of the marketing of such specified commodities in any particular area as you may organize; not the production of it, but simply the marketing feature of it.

Then again, that you desire the Government to impose these restrictions upon the commodities when being shipped into interstate and foreign commerce.

Mr. TENNY. When shipped outside of this industry program.

Mr. LARSEN. Outside of your program?

Mr. TENNY. That is right.

Mr. LARSEN. For instance, you say for presenting a plan of organization, management and industry program, for marketing such commodity.

Why do you not include in that an industry program for production and for marketing of such specified commodities? You do not propose to limit the planting of trees—the number of trees, cherry trees for instance. Of course, we regulate most of our commodities by acreage production, but when we speak of fruit trees, generally, I think we speak of it as tree production.

Suppose a member of your organization says, "I want to increase my tree production next year. I want to put out 50,000 more cherry trees." What power have you over him? And do you not think the Government ought to have some right in that matter?

Mr. TENNY. Yes; I am perfectly willing to agree to that.

Mr. LARSEN. You do agree that would be sound; that it ought to include production as well as marketing?

Mr. TENNY. Yes. I have thought all the way along—I have not mentioned it before the committee—but I have felt that the time would come when any of these organized commodities could be curbed in a production program by the loans that were going to be forthcoming from the board, provided those loans were based upon a production program. I agree with you.

Mr. LARSEN. Under the section that you have submitted to the committee for incorporation in the bill the board would have no right to go to that extent because your only yardstick is the necessity of coming up to these specifications as regards the marketing program.

Mr. TENNY. Yes. It is all right; I agree with you.

Mr. LARSEN. You agree that such provision ought to be included?

Mr. TENNY. Yes.

Mr. LARSEN. I know that is the difficulty that we are suffering from now in regard to peaches in Georgia. We have too many trees and we are forced at this time to curtail our production by digging up some of the trees and putting the ground in asparagus, pecans, or other crops, which we find that we can grow more profitably—in fact, we are putting both pecans and peaches on the same land; let the peaches remain there until the pecan trees get large enough and then pull them out.

If we are going to consider not only the marketing program but also the production program in line with the suggestion made by Mr. Yocum, the witness preceding you, who pointed out that at one time we had too great a mileage production of railroads in this country, and that we junked quite a number of roads and gave to the Interstate Commerce Commission the jurisdiction to permit or refuse the building of new railroads or additional mileage, would it not be equally as feasible to have some authority placed somewhere in the Government over the production of such commodities as were going to enter into interstate and foreign commerce?

In other words, if it is a sound policy to be adopted and carried out with reference to the transportation lines of the country through the Interstate Commerce Commission, why would it not also be feasible to limit production of farm commodities through some system of permits or otherwise?

Mr. TENNY. As far as I am concerned on that matter, I would not recommend that you attempt to do that in the bill you are attempting to draft at the present time.

In my own thinking I will go with you on that.

Mr. LARSEN. Do you think it is really feasible or not?

Mr. TENNY. To me it is a crime to see an industry that is in fine condition producing just what it would produce if it were controlled by one man or one corporation, and here comes a real-estate firm that has got 1,000 or 10,000 or 40,000 acres of land that they have bought cheap, and they put trees or vines on it, and they bring new production in. These growers that have the business themselves beforehand and have got a profitable business, raising all that we need in the country, are penalized and made to suffer, and perhaps their values are reduced to zero simply because we allow this other fellow, this outsider, to come in and wreck our industry.

Mr. LARSEN. Do you not recognize two paramount propositions in agriculture? One the orderly production, or the limitation rather



of production, and the other the marketing of the products when produced?

Mr. TENNY. Quite true.

Mr. LARSEN. Those are the two propositions?

Mr. TENNY. Absolutely.

Mr. LARSEN. Unless you limit both or control both of those propositions you can not solve the problem, can you?

Mr. TENNY. I will answer that yes.

Mr. LARSEN. You said also you were not interested in California in the operation of Muscle Shoals. You use fertilizers on your fruit trees out there, do you not?

Mr. TENNY. Sometimes.

Mr. LARSEN. Do you not require potash and other fertilizers of that kind?

Mr. TENNY. I am not a production expert.

Mr. LARSEN. You do not know anything about that?

Mr. TENNY. No; I will not qualify as a production expert.

Mr. LARSEN. That is all.

Mr. FORT. Mr. Tenny, in effect, your present organization out there is really a cooperative, or an association of shippers, is it not?

Mr. TENNY. No, sir.

Mr. FORT. Why not?

Mr. TENNY. The shipper is not a member of our organization at all. He has a contractual relationship with the grower organization.

Mr. FORT. But as a result, you have a cooperative—

Mr. TENNY (interposing). In the practical working of it; yes.

Mr. FORT. It has had that effect?

Mr. TENNY. Yes. I will be rather inclined to agree with you on that.

Mr. FORT. And it differs from the traditional cooperative in that it is not made up of producers, but is made up of shippers.

Mr. TENNY. Now, I do not want to get the record wrong here. The organization is a grower organization pure and simple.

That organization controls the policies of the industry because they are the people that have their money invested.

As the industry owners of this commodity they employ different agencies for marketing the commodity and they say to these agencies, "Compete to a limited extent both here and in the terminal markets, but do not compete to such a point that those things are done that are to the disadvantage of the industry as a whole."

Mr. FORT. In a sense, it is also, is it not—or at least its effect properly managed is the same as would be achieved by a stabilization organization in the perishable commodities.

Mr. TENNY. As I understand a stabilization corporation; yes, absolutely.

Mr. FORT. The opponents of your plan, some of them, claim that it will be destructive of cooperative marketing organizations, through encouraging the competing shipper. Have you anything to say on that?

Mr. TENNY. My opinion is that it would not work out that way.

Mr. FORT. My own thought has been, and I would like to get your idea on it, that if the cooperative marketing organization, the traditional cooperative, demonstrates that it can market to produce a larger net return to the producer, it will wipe out the independent

shipper. If it does not do it, the independent shipper will wipe out the cooperative. Is not that true?

MR. TENNY. Not in a practical sort of way. In theory; yes. In practice you are going to see both go along parallel; a pure cooperative marketing organization established in perfect order, managed just as well as it can be managed, being in business not for profit, having no capital, perhaps invested on which they must pay dividends, all those things being equal it should pay to the grower a little more money than he gets through the other channels of distribution.

What he gets—whether he gets \$1 a crate or \$1.50 a crate—is not necessarily in the hands of the cooperative, because outside of the cooperative there may be practices and methods of distribution that bring into the picture a situation so that the cooperative, no matter how efficient it may be, must have its price level down here [illustrating].

The price that they get may be just a little above the price that the private operator is returning to the grower—it never is going to be very much, because you are going to have too acute competition—but our theory is that by coordinated marketing, by bringing these agencies around and working out an industry program instead of the price level being here, that you cooperative gets, by the coordinated effort your price level has been moved up here [illustrating].

There may still be the relative difference between the cooperative up or down from the commercial organization, but the price level is going to be up at a higher level than it is under the scheme that you have at the present time.

MR. FORT. Mr. Conn's testimony, and I think yours, related to handling perishables in the auction markets largely. Can you handle your independent shipper situation when they are shipping into the towns that are so small that they have no auction market and they are therefore shipping direct?

MR. TENNY. Yes, sir; in some respects it is easier.

MR. FORT. Does not the independent shipper contract ahead and have his own customers and delivery direct?

MR. TENNY. Not necessarily, Mr. Fort. I can give you an illustration of a certain town in the Middle West which is not alone in the practice of consistently having 2, 3, or 4 concerns get their heads together in that town; each one wiring out and buying a car of perishables subject to inspection when it arrives, because where you have a surplus situation the buyer dominates the conditions. He insists that the car comes to the town and be inspected before he pays for it.

They see to it that there are four cars arriving in town about the same day when they know they can not handle but one. Then all of them send their wires back, "We are turning the cars off; they are not up to standard." Then they begin to dicker back and forth with each other and finally one car stays in the market at a reduced price and the other three are diverted out.

MR. FORT. How can we help people operating on your plan in this legislation other than through your suggestion here of a definite amendment by making moneys available for such organizations? How much money would be needed for such an organization as you have, handling a quarter of a billion of perishables?

Mr. TENNY. That is a question of administration, Mr. Fort.

Mr. FORT. But we have got to have advice on that in fixing how much of a revolving fund we would need.

Mr. TENNY. I would rather let Mr. Conn answer that. He is the managing director.

Mr. FORT. There is just one other question I want to bring out. Somebody has treated, in questioning you—either you did, or Doctor Aswell—my remarks about the Summers bill as though I had made that as a definite suggestion. I was simply trying to trace the theory upon which you were planning to proceed. Do you regard the Summers bill as farm relief legislation?

Mr. TENNY. Yes, sir.

Mr. FORT. Important farm relief legislation?

Mr. TENNY. Yes, sir; very; in our field, very.

Mr. FORT. Do you feel that we can adopt any legislation here that will relieve perishable products adequately if we do not incorporate some such legislation as the Summers bill?

Mr. TENNY. I would say the Summers bill goes right parallel in our program with two or three other proposals. They all to a large extent are the foundation of the structure. If you take one part of the foundation out you have weakened your structure. The Summers bill is one very necessary step in the program.

Mr. FORT. And that is an industry bill, is it not?

Mr. TENNY. Yes.

Mr. FORT. And has been agreed on by all the interests involved?

Mr. TENNY. Yes, sir.

Mr. FORT. Judging from your experience, Mr. Tenny, in this work, or your past experience in the Department of Agriculture, in the Bureau of Agricultural Economics, do you think there is any one bill which by itself will accomplish anything like a full measure of farm relief?

Mr. TENNY. I do not think it will accomplish all the farmers expect it will accomplish. I think a bill can be written broad enough so that all the Government can do consistently can be done under one bill. I think you have to give the board broad authority in approaching its problems and solving them, as the problems come up for solution.

Mr. FORT. We have had some evidence from some of the cooperative leaders to the effect that any funds we were going to make available to any cooperative organization in any form ought to be made available to the intermediate credit banks as credit money, rather than through a farm board as relief money. Do you believe that?

Mr. TENNY. Additional credit through the farm board is needed in certain industries. I refer back to Mr. Conn's testimony. We have given careful consideration to that very question. We think that banking is one thing and that relief is another thing.

There are here and there in the country industries that need relief; some of those industries are in a very deplorable condition. We have a program that we think will solve those problems. On the other hand, from a strictly banking standpoint, we can not go to the banks in California and get the necessary funds with which to effect the program.

Mr. FORT. I would like to have Mr. Conn answer this question: If we are going to have a revolving fund here, how much should we allocate to your industry?

Mr. CONN. If you will be willing to have me make that answer in writing, I will be glad to insert it in the record. I can do that to-night, Mr. Fort.

Mr. NELSON. Mr. Tenny, is it your thought that the general farmer, the fruit grower and the hog raiser and cattle raiser, can be brought under the benefits of the plan you have suggested?

Mr. TENNY. I have not given any particular thought to those commodities. As far as I am concerned personally, I think the problems affecting so-called agricultural relief for those commodities are much more difficult than in the case of the perishable industry. I do think, judging from my relatively long years of experience, that there is a solution to the perishable side of the industry. I do think there are going to be cases where the nonperishables can utilize that organization if set up, and I would hate to see the board take action here that would preclude the nonperishables utilizing the same kind of an organization.

Mr. NELSON. But you do not believe it offers the same promise as it does to perishable products?

Mr. TENNY. I am inclined to say no.

Mr. NELSON. As I have listened to you with interest, I have been trying to figure out in my own mind what the average farmer back in my home State would think of this scheme if we were to offer it to him as a plan of farm relief, and I was anxious to get your viewpoint on it.

There is just one other question I want to ask you. Has the main objective of your association been to secure better prices for your products?

Mr. TENNY. That is the ultimate thing, of course, that we have in mind. We must accomplish that. On the other hand, there are steps that must be taken before we can crystalize the results of our work in a realization of a better price.

Mr. NELSON. Do you not think it is possible, through a better system of marketing and lower cost marketing, to put this product into the hands of the ultimate consumer at a lower price than that which he is now paying?

Mr. TENNY. Absolutely.

Mr. NELSON. And otherwise increase the demand for the product?

Mr. TENNY. Absolutely.

Mr. NELSON. You have used cherries as an example. Our cities to-day would take very many more cherries than they are now taking if they could buy them at a lower price?

Mr. TENNY. Yes.

Mr. NELSON. Really, we have no overproduction of fruit, generally speaking, if we could get fruit into the hands of the ultimate consumer at a fair price, and in an orderly way. Let me use my own experience as an example. Take my own household. Say, for instance, that my wife is called up by the grocer. He is a reliable man. He says he has a carload of peaches. She asks him what they are worth, and he answers that they are priced at \$2.50 or \$3. She tells him she believes she will take a bushel, or she may say she thinks the price is a little high and that she will wait. If it is pos-



sible, through a better system of marketing, to put this product in the hands of the consumer for a little less money, have we not largely solved the problem?

Mr. TENNY. I think we have.

Mr. MENGES. Have you set up any agencies in these places where you ship your fruits to handle the selling of them?

Mr. TENNY. No; but that is part of our ultimate program. In connection with some of our commodities, in certain cities the industries are maintaining as high as 50, 60, or 70 people in carrying on sales out on the car tracks, all competing with each other, all drawing their per diem, and all running out there in automobiles, probably, and the entire expense of that sales organization comes out of our industry. We pay the bill. As soon as we can strengthen our organization, of course, one of the things we are going to do is to eliminate that disastrous situation at the terminals.

Mr. MENGES. I am glad to hear you say that, and that is one of the most important things, to my way of thinking, that we can do. Now, I would like to ask you another question. Have you done anything along the line of handling apples in your community?

Mr. TENNY. Apples are practically the only deciduous fruit we do not have in our organization.

Mr. MENGES. There are goodly quantities of apples produced in my district.

Mr. TENNY. Yes; I know that, Mr. Menges.

Mr. MENGES. Together with cherries and a good many peaches, and I was wondering whether you had done anything in connection with apples.

Mr. TENNY. We have done nothing with apples at all.

Mr. ANDRESEN. In the proposed text you have here to be inserted in the new bill, the last paragraph reads: "Thereafter no such specified commodities shall be transported from such area in interstate or foreign commerce, except in accordance with said approved industry program for the marketing thereof."

You do not believe we can pass legislation that will delegate such authority to an individual organization, do you?

Mr. TENNY. Yes, where it is tied up with the Government agency that is sponsoring the program locally, endeavoring to carry out the program in the interest of the public welfare.

Here is stuff moving in interesting commerce, breaking down the Government plan of rehabilitating this particular industry. I think it is absolutely constitutional.

Mr. ANDRESEN. Would the board approve the rules and regulations of the individual marketing association?

Mr. TENNY. Yes. The proposed section provides:

Whenever any stock or membership corporation or association organized under the laws of any State, and comprising therein the producers of 75 per cent, or more, of the tonnage of specified commodities produced in an area approved by the board, and presenting a plan of organization, management, and industry program for the marketing of such specified commodities of said area, the board, upon approval of such plan and area, shall declare such corporation or association to be one of the instrumentalities appointed in this act for carrying out the purposes thereof.

Mr. ANDRESEN. Can you give us any illustrations where that is being done to-day by the Government, under any act of Congress?

Mr. TENNY. In this particular way?

Mr. ANDRESEN. Yes; delegating such authority to an individual organization.

Mr. TENNY. I do not know that I can offhand. I can point out certain features of legislation that affect me as an individual just as vitally as this legislation would.

Mr. ADKINS. You would not think it advisable, would you, to have this bill drafted so that all the marketing organizations that came to this board and wanted to participate in this loan should have your particular type of organization?

Mr. TENNY. No; I would not, Mr. Adkins.

Mr. ADKINS. In other words, if I understand your scheme, it is virtually an exchange, that works, face about, from the way a non-perishable exchange works. You would not insist that an organization would have to have that type of organization?

Mr. TENNY. No; I would not insist upon that. On the other hand, I would go on record right now as saying that I would not give the board the right to loan money to all organizations in our territory that came to it and wanted money without regard to the way they proposed to handle the commodity.

Mr. ADKINS. They probably would not do that. The point I had in mind was this: You have this problem in the matter of distribution, as you are well aware. It is more largely a question of distribution than we would have in the case of wheat, corn, cattle, and hogs. They would have in that case a different type of organization.

Mr. TENNY. Absolutely.

Mr. ADKINS. If I understand the purport of this proposed section you have submitted here, if the Southern Illinois Fruit Growers' Exchange, that handles strawberries and peaches in carload lots, were not members of this organization, they could not ship carload lots to St. Louis across the river, 50 miles away, unless they belonged to your organization.

Mr. TENNY. Let us go back a little bit. How much of the percentage of the tonnage do they handle?

Mr. ADKINS. I do not know.

Mr. TENNY. If they handled 26 per cent, only 26 per cent, then you could not work the program for an industry here, unless and until your cooperative organization came in as part of that program.

Mr. ADKINS. What I had in mind particularly was the provision in the latter part of this section you propose. It says: "Thereafter no such specified commodities shall be transported from such area in interstate or foreign commerce, except in accordance with said approved industry program for the marketing thereof."

My point is this: If a concern in Chicago has a carload of your peaches, and some chain-store man living in Gary, Ind., 20 miles away, wanted to buy them, he could not transport them to Gary, could he, unless he was in your organization? The Southern Illinois fruit man, the strawberry man, could not ship in interstate commerce unless he belonged to this organization, could he?

Mr. TENNY. Yes; he could ship, providing he adhered to the industry program.

Mr. ADKINS. But suppose he does not do that. You know these organizations are quite jealous as a practical proposition. They think they have a very efficient organization. This would preclude them from doing that, would it not?

Mr. TENNY. Yes.

Mr. ADKINS. If they did not do as you have said.

We have in the Department of Agriculture a cooperative marketing bureau for the purpose of getting all of that kind of information and disseminating it. I am a very strong supporter of that bureau. It has been suggested here, however, a good many times, that we should provide a large appropriation for educational purposes for this proposed board. What do you think of that program? Do you think we ought to go into the educational business in that way, or do you think we ought, if necessary, strengthen what we already have in the department, and let them furnish the information?

Mr. TENNY. I would be inclined to strengthen what you already have.

Mr. CLARKE. In response to a question asked you by Congressman Fort regarding returns made by the cooperatives in competition with the independents, you said, as I understood it, that the returns were higher to the cooperatives than to the independents.

Mr. TENNY. No; I did not say that. I just used as an illustration the fact that if you had a cooperative perfectly set up and as efficiently managed as you could humanly expect it to be, then the cooperatives might show a return to their grower members because they had no dividends to pay and because they had good business management, somewhat slightly in excess of what the independent shippers were returning to their growers.

Mr. CLARKE. Is it not the experience, up to this time, of the cooperative movement, that the independents are generally paying more and for that reason breaking down the cooperative movement?

Mr. TENNY. Here is the weakness of the cooperative movement in the industry program. The moment the cooperatives attempt to develop an industry program, then there are expenditures that are necessary. Those expenditures are made by 40 or 50 per cent of the industry, and in making those expenditures you make a more profitable industry, and as Mr. Conn pointed out, the man who is on the outside does not have to subscribe to those additional costs; he does not have to maintain those additional costs.

Mr. CLARKE. In other words, he gets all the benefit, just as is occurring in the case of the Dairymen's League, where we are making experiments in connection with the protein content in connection with the production of milk. That is only one of the expenses. We are carrying on advertising for the purpose of promoting the use of more milk, and that is paid for by the industry. But the result is when the check comes in the members of the Dairymen's League pay the expense of carrying the burden for the industry.

Mr. HOPE. Mr. Tenny, I was not here when you presented the amendment you propose. Is it your theory that we would have the right to enact such legislation as you propose under the power that is given Congress to regulate interstate commerce?

Mr. TENNY. Yes, sir.

Mr. HOPE. That is the theory on which it is based?

Mr. TENNY. Yes. I said that this was not what I would present as a final draft. It is only presented in this way to give the idea, and I said I felt your lawyers could take it and rewrite it in the proper language, selecting it very carefully, so that it would be able to be sustained by the Supreme Court.

Mr. HOPE. Is it on the theory that the public has an interest in these products that are to be transported?

Mr. TENNY. Yes, sir; the public has an interest in them.

Mr. HOPE. There is no doubt about that, although I suppose there might be some question as to the extent of its interest.

I wonder if you or your attorneys who may have drawn up this provision have given any thought or study to the decision of the Supreme Court which held that the Kansas Industrial Court act was unconstitutional.

Mr. TENNY. I could not answer that.

Mr. HOPE. I have not read that decision for some years, but as I recall it that decision held that the public did not have such an interest as to products and commodities of the kind you have mentioned as to justify their regulation, or to justify their being declared to be public utilities and so impressed with a public interest. I am not familiar enough with the decision to say whether or not that would apply here. I thought possibly you had given it some consideration.

Mr. TENNY. No.

Mr. BRIGHAM. Mr. Tenny, as I understand it, in your contract with the grower you do not agree to handle his product.

Mr. TENNY. That is correct.

Mr. BRIGHAM. And you do not agree to furnish him a market.

Mr. TENNY. That is correct.

Mr. BRIGHAM. But you do stipulate that if he sells his product, he must sell it through an agency that has a contract with you.

Mr. TENNY. Yes; and further, he must agree to adhere, as a producer, in his relationship to this association, to this industry program that is to be worked out in his interest.

Mr. BRIGHAM. In your proposal for legislation you have this provision, that when the board is satisfied that there is 75 per cent of the tonnage of a commodity signed up for an industry program, that the board shall have the power to prevent the transportation by a carrier in interstate or foreign commerce of any of this commodity except in accordance with such approved industry program for the marketing thereof.

Should you not go a little further and have a provision like this:

*Provided, however,* That such industry program shall insure to each grower in such area the same price for the same quality of product.

Mr. TENNY. No; not as far as we are concerned, Mr. Brigham.

Mr. BRIGHAM. Would it be fair for the United States Government to deny the right to ship in interstate commerce to any grower unless it was provided that such grower would have a fair return or as good a return as the other members of the association, considering the quality of the product which he shipped?

Mr. TENNY. We approached the matter from a somewhat different angle. We are allowing the grower—and this is the one strong feature of our plan, as I see it, in the act of putting it across—we allow our growers the full right of contract with this distributor and that one.

Mr. BRIGHAM. Yes; but Congress would deny the right to ship.

Mr. TENNY. Let me finish, if you please. Only limited by anything that is worked out by his organization in line with an industry



program, which, in case of court action anywhere, would have to sustain itself, in that it is operated in the interest of the industry, and as this particular person is part of the industry, it has operated in his interests.

Mr. BRIGHAM. Yes; but under your program as now set up, I can see where a grower might lose a carload of cherries because it was not compatible with the interests of the industry for him to ship it into a certain city at a certain time. He might lose his whole carload. For the Congress to force a grower into an organization where that might result, and, as a penalty for nonentry, to deny him the channels of interstate shipment, seems to me is going pretty far.

Mr. TENNY. I would agree entirely, if we approached the problem on the basis of the British Columbia act, where the Government controls the distribution of these perishables.

But our whole scheme goes back to the idea of allowing the growers themselves to build up their own industry program and to administer it themselves. The only thing we are asking is that the small minority shall not disorganize this program and disrupt it.

Mr. BRIGHAM. Yes; but the market of the small minority under your plan might be completely disorganized. In fact, there might be entire absence of market and absolute loss of the product.

Before I voted for such a provision, I should want some set-up for a pool, so your receipts would be pooled, say, for a similar quality of produce, so that every man that the Government forced into this organization would have an equal share of the market.

Mr. TENNY. While I might be perfectly willing to agree with you in principle, I would say that it injects other features into the thing that in my opinion makes it impossible.

The CHAIRMAN. Your plan undoubtedly has merit. However, it seems to have in it a good many "ifs." For instance, in regard to the matter of signing up. I understood you to say you knew of no way by which the nonmembers could be made to sign this agreement.

Mr. TENNY. That I knew of no way?

The CHAIRMAN. Yes; that you knew of no way that they could be made to sign up.

Mr. TENNY. This minority?

The CHAIRMAN. The growers outside of the organization. As I understand it, 100 per cent is required to make it workable.

Mr. TENNY. We have had no difficulty in signing up our growers.

The CHAIRMAN. You have only 75 per cent.

Mr. TENNY. When you come to the small minority, so far as that is concerned, you have always in any industry or in any State a group of people who will not subscribe to any program.

The CHAIRMAN. It amounts to 25 per cent in your case, as I understand it.

Mr. TENNY. No; not in its entirety.

The CHAIRMAN. Mr. Conn estimated that 100 per cent is required. Do you agree with him on that?

Mr. TENNY. Yes, sir.

The CHAIRMAN. The question is, How are you going to get the 100 per cent?

Mr. TENNY. That is right.

The CHAIRMAN. What is your suggestion?

Mr. TENNY. What is my suggestion?

The CHAIRMAN. To buy them off?

Mr. TENNY. No; my suggestion is that we represent about 80 per cent of the perishable deciduous fruit industry of California, and on coming to this board you are proposing to set up we have to prove to their satisfaction that we have at least 75 per cent of our industry signed up. We lay our program before them, and if they are satisfied with it, they approve the program.

Then we want this authority provided in this bill, or in the commission merchants' bill, or somewhere else, written into the laws of our Nation, that when the Government has taken those steps and the industry has taken those steps, that it shall be forbidden for any car of produce to move in interstate or foreign commerce, providing that movement in interstate or foreign commerce jeopardizes this plan the Government has approved and which the industry has set up. We want you to prohibit the movement.

The CHAIRMAN. As to the shipper?

Mr. TENNY. Yes.

The CHAIRMAN. You are dealing with the shipper.

Mr. TENNY. Or his grower.

The CHAIRMAN. How about the producer? Are you going to prohibit him?

Mr. TENNY. It makes no difference.

The CHAIRMAN. Are you going to prohibit the shipment of fruits produced by those outside the organization?

Mr. TENNY. If the shipment is in violation of the program.

The CHAIRMAN. What is the program, that it shall not enter into interstate commerce unless they are members of your organization?

Mr. TENNY. Oh, no.

The CHAIRMAN. I wish you would make yourself clear as to that.

Mr. TENNY. To go back, Mr. Haugen, to the illustration of the cherries.

The CHAIRMAN. Tell me how you are going to get the signers.

Mr. TENNY. I am not going to get the signers in this 25 per cent.

The CHAIRMAN. Mr. Conn said that 100 per cent is necessary.

Mr. TENNY. One hundred per cent of the commodity.

The CHAIRMAN. You have 75 per cent. How are you going to get the others? Or, are you not in accord with Mr. Conn's statement?

Mr. TENNY. Yes.

The CHAIRMAN. How are you going to get the 100 per cent?

Mr. TENNY. I am going to get the 25 per cent by having you pass a law that it shall be illegal for the cars of the 25 per cent to move in interstate commerce, if they are moving in violation of the program.

The CHAIRMAN. You are going to say that the products of 25 per cent of the producers shall not be shipped in interstate commerce?

Mr. TENNY. No, sir.

The CHAIRMAN. Then how is it going to be done?

Mr. TENNY. If they are shipped in line with the program of the industry, they can go forward.

The CHAIRMAN. They can not do that unless they enter into this agreement, and if they do not enter into this agreement 25 per cent are denied the right to make shipments in interstate commerce? They are denied that right unless they enter into this agreement?

Mr. TENNY. Put it that way.

The CHAIRMAN. That is your position?

Mr. TENNY. Yes.

The CHAIRMAN. The plan you are suggesting here could only be carried out if you had 75 per cent, or more. Some of these other people have been working for 20 years, and they only have 10 per cent.

Mr. TENNY. They have not been working on this kind of a contract.

The CHAIRMAN. They have been trying to pool the whole production, and they have only gotten about 10 per cent. We were told this morning that some of them had been working on it for 20 years.

Mr. TENNY. In my opinion you are not going to get many commodities in many sections of the industry controlled through one single cooperative-marketing organization.

The CHAIRMAN. Then you would have to abandon cooperative marketing?

Mr. TENNY. No, sir; it does not mean that.

The CHAIRMAN. Mr. Conn and others say it can not be worked out. What is the use of trying something that is not workable?

Mr. TENNY. I am not saying it is not effective in its limited sphere, even though it may not have an industry program.

The CHAIRMAN. I think you should qualify that by saying to a very limited extent, if they only had 10 or 15 per cent. It has been stated that a 100 per cent pool is necessary, otherwise the pool will not succeed. In the absence of a 100 per cent pool the pool pays all the expense and the nonmembers reap the profits. I think that was agreed to by Mr. Conn.

Mr. TENNY. That is quite correct.

The CHAIRMAN. Then a 100 per cent pool of the production is required, whether you call it a pool or call it control, I think everybody would agree as to that. I think if you had some plan whereby you could benefit everybody, that is what the farmers are interested in. They are interested in getting a few dollars more for their products. That is what the farmers have been asking for and are most interested in. Many of the cooperatives seem to be more interested in building up their organizations.

It is about a 50-50 proposition. Evidently there are about as many failures in the cooperatives as there are in other endeavors.

Mr. KINCHELOE. I would like to ask one more question.

Mr. Tenny, I am very much interested in this theory that you and Mr. Conn have presented here.

Is it the idea of your lawyers that Congress has the power to pass a law to compel outsiders to belong to the organization, whatever it is, thereby making it 100 per cent? Of course, that is what you intend to do, and it seems to me, as one who is looking at all the commodities, that, if that can be done, that is only one-half of the bite of the cherry. I started to get down to what Mr. Larsen asked, but I did not have time. In other words, if Congress has the power under the Constitution to compel 25 per cent on the outside to go into any organization, that is, if you get 75 per cent, and have the approval of the farm board, I think that is only one-half of the bite of the cherry. Why do you not complete the job? Why not provide in this bill absolutely for authority on the part of this same board to